

1950 SURVEY OF CONSUMER FINANCES

PART V. The Distribution of Assets, Liabilities, and Net Worth of Consumers, Early 1950¹

During the postwar years the number of consumers owning homes, automobiles, and other durable goods has risen rapidly and the aggregate value of such assets has increased substantially. In addition, consumers as a group have strengthened their financial position by increasing their holdings of liquid and nonliquid investments. This accumulation of wealth has been financed in part through current income and in part through borrowing. In the case of specific assets, some growth in ownership has reflected conversion of assets from one form to another, especially by drawing on liquid resources to acquire durable goods. The amount of debt that consumers have incurred, however, has been very large, especially instalment debt in the acquisition of automobiles and other durable goods and home mortgage debt. Nevertheless, in early 1950 consumers generally possessed a substantial net equity in personal resources.

Knowledge of the over-all financial position of consumers is important to an understanding of consumer behavior. Successive surveys of consumer finances have endeavored to develop more comprehensive information on the major assets and liabilities of consumers. Much of this information has been intended primarily for the purpose of measuring more completely the extent of consumer sav-

ing or dissaving or of analyzing the ownership of specific types of liquid and nonliquid assets. In the 1950 survey, efforts were directed toward providing more complete balance sheets of consumers by determining the value of major types of assets (both liquid and nonliquid) and of total liabilities. Accordingly, estimates of consumers' net worth representing the excess of total major assets over total liabilities can be made for the first time this year.²

This article analyzes the 1950 survey data on the distribution of net worth by various consumer groups and the frequencies with which various net worth groups reported specific assets and liabilities. It also presents supplementary analyses of other 1950 survey data covering ownership of liquid assets, automobiles, homes, real estate other than owner-occupied homes and farms, stocks, proprietary interest in farm or nonfarm business, and consumer liabilities, thus continuing the analyses presented in earlier surveys.³

This study explores an area of consumer finances about which very little is known. The survey estimates of total assets and net worth, however, cannot be considered as precise measures, and it is important in any use of the data that appropriate qualifications be made as to their limitations. The estimates of total assets and net worth of consumers lack precision, in part because some consumer assets are not included, in part because information on the value of several types of assets was obtained in bracket—rather than specific—amounts, and in part because of reporting and sampling errors. In some cases, there may be

¹ This is the fifth and concluding article in a series presenting the results of the 1950 Survey of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System and conducted by the Survey Research Center of the University of Michigan. The first article appeared in the June BULLETIN, and covered the general financial position and economic outlook of consumers. The second article, devoted to durable goods expenditures in 1949 and buying plans for 1950, appeared in the July BULLETIN, as did a special article on the methods of the surveys. The third and fourth articles appeared in the August and November BULLETINS and dealt, respectively, with the distributions of consumer income and saving in 1949.

The present article was prepared by John A. Frechtling, James H. Lorie, and Irving Schweiger of the Consumer Credit and Finances Section of the Board's Division of Research and Statistics. The authors have necessarily maintained a close working relationship with the staff of the Survey Research Center at all stages of their work and in their analysis of survey tabulations have had the benefit of many suggestions from the Center's staff, particularly John B. Lansing and E. Scott Maynes.

² The method of estimating net worth is presented in the appendix.

³ Analyses in the 1949 survey were presented in several articles, as follows: "Consumer Ownership and Use of Liquid Assets," August 1949 Federal Reserve BULLETIN, pp. 896 ff.; "Home Ownership and Expenditures for Housing," September 1949 BULLETIN, pp. 1037 ff.; "Ownership of Automobiles, Stocks and Bonds, and Other Nonliquid Assets," October 1949 BULLETIN, pp. 1182 ff.; "Additional Data on Automobile Ownership, Early 1949," November 1949 BULLETIN, pp. 1318 ff.; and "Distribution of Consumer Saving in 1948," January 1950 BULLETIN, pp. 14 ff.

1950 SURVEY OF CONSUMER FINANCES

difficulty in determining the value of a particular asset, e.g., of a business; in others, the respondent may furnish incorrect data through memory error or may even intentionally falsify answers. The sampling errors of the survey can be determined and have been discussed in an earlier report.⁴

It should be emphasized that the figures on total assets and net worth in this exploratory study are understated in two important respects. First, information is not included for such major assets as the reserve value of life insurance policies, holdings of currency and of bonds other than those of the United States Government, and all household possessions. Second, the value of assets covered is understated. From other data on ownership of liquid assets, it is known that survey information understates considerably the aggregate value of consumer holdings of liquid assets.⁵ Available evidence indicates that understatement in reported hold-

ings of other types of assets covered is probably less than in the case of liquid assets. Coverage of total liabilities is relatively complete, except for charge account credit, and, on the basis of comparisons with independent estimates, understatement of aggregate liabilities appears to be relatively slight. The incomplete coverage of assets and the understatement of reported asset items probably results in an understatement of the actual net worth of spending units at all net worth levels.⁶

Because the sampling errors of frequency distributions (proportions) are much less than those for aggregate amounts, the information in this article is presented primarily in terms of frequencies. Aggregate values of asset and liability items are presently available only for liquid assets and for total debt. It is possible, therefore, to present total assets and net worth data only in frequency distributions of bracket amounts.

NET WORTH

One measure of the financial resources of the consumer is his net worth—the excess of his assets over his liabilities. Net worth reflects the net accumulation of savings over a period of years—both the low incomes and other financial reverses of some years and the high incomes and saving of other years. Information on the net worth of consumers, therefore, provides additional insight into the operation of our economy over a period of time. The pattern obtained with this more comprehensive measure varies considerably from that obtained when the saving of a single year is considered. It was found that although one-third of all consumer spending units dissaved (spent more than their incomes) in 1949, relatively few units had a negative net worth (liabilities greater than assets) in early 1950. Approximately 6 in every 10 spending units that dissaved in 1949 had a net worth of at least \$1,000; between 3 and 4 in every

10 were worth at least \$5,000 in early 1950.

The survey estimates of net worth, which should be considered as minimum figures for reasons discussed earlier, indicate that most consumers owned assets in amounts that substantially exceeded their liabilities. Approximately 4 consumer spending units in every 10 had a net worth of \$5,000 or more; for nearly 1 in 10 the figure was at least \$25,000. These estimates of net worth reflect the inflation of capital values and the huge volume of personal saving in the war and postwar periods.

Assets, and the debts which were frequently associated with them, were broadly distributed among all groups of the population. At every income level, at least one-fourth of the consumer spending units had assets that exceeded liabilities by \$5,000 or more. Older consumers, those in the age groups above 44 years, had the largest proportion of high net worth valuations; more than half of the

⁴ "Methods of the Survey of Consumer Finances," Federal Reserve BULLETIN, July 1950, pp. 795 ff.

⁵ The survey's estimate of consumers' holdings in early 1950 was about 92 billion dollars. An estimate of holdings of these types of liquid assets—U. S. Government bonds, checking accounts, savings accounts, and shares in savings and loan associations—by individuals at the end of 1949 on the basis of over-all banking and Treasury statistics indicates approximately 128 billion dollars, after deduction of 5 billion representing holdings of persons not included in the Survey of Consumer Finances. For additional discussion of this point, see Federal Reserve BULLETIN, July 1950, p. 808.

⁶ The interview unit of the survey is the spending unit, defined as all persons living in the same dwelling and belonging to the same family who pool their incomes to meet their major expenses. Some families contain more than one spending unit, and it is estimated that at the beginning of 1950 there were approximately 45.2 million family units and 52.0 million spending units residing in private households. Since the same total amount of net worth is distributed among the smaller number of family units, it is to be expected that families have somewhat higher net worth than spending units.

1950 SURVEY OF CONSUMER FINANCES

spending units headed by persons in these age groups had a net worth, as computed in the survey, of \$5,000 or more, compared with about one-fourth of the units headed by persons less than 45 years of age.

Approximately half of all consumer spending units were found to be completely free of debt; consumers without debt were relatively most numerous among lower income groups. The survey findings indicate that a large amount of debt was frequently associated with substantial holdings of assets. Income and indebtedness were also directly related; the tenth of the population with the highest incomes owed about one-fourth of the approximately 65 billion dollars of total long- and short-term consumer debt estimated on the basis of survey data.

Nearly 1 spending unit in 10 reported a negative net worth (debts greater than assets), but this result reflected in part the restricted definition of net worth used in the survey. For example, a spending unit with a loan on a life insurance policy, and no other assets or liabilities, would be classified as having a negative net worth, because the loan would be included as a liability while the policy

would not be included as an asset. This procedure was necessitated by the difficulties involved in getting respondents to provide accurate information concerning the current values of their policies, although they were able to furnish accurate information on their debts, including policy loans. Similar understatement occurred if durable household goods were purchased on credit. The debt was counted as a liability, but the value of the durable good was not included in the calculation of net worth.

The survey information on consumer assets, liabilities, and net worth is summarized in Tables 1 and 5. The most frequently owned of the major types of assets included in the survey were liquid assets, automobiles, and owner-occupied homes. Relatively few spending units had investments in corporate stock, in farms, or in nonfarm businesses.

NET WORTH OF VARIOUS GROUPS

Saving groups. The relationship between net worth and current saving is not simple. It is affected by many factors such as income, age, marital status, and investment opportunities. Sev-

TABLE 1

DISTRIBUTION OF SPENDING UNITS BY SIZE OF NET WORTH AND OF VARIOUS NET WORTH COMPONENTS, EARLY 1950¹

[Percentage distribution of spending units within specified net worth component groups]

Amount of asset, debt, or net worth	Assets								Total debt ⁷	Net worth ⁸
	Liquid assets ¹	Auto-mobile	Owner-occupied home	Owner-occupied farm ²	Other real estate ³	Business interest ⁴	Corporate stock ⁵	Total ⁶		
None	31	47	61	91	84	91	93	—	49	98
Under \$1,000	37	28	10 9	10 1	4	2	3	31	27	27
\$1,000-\$4,999	21	24	12 26	12 3	5	3	2	21	15	23
\$5,000-\$24,999	7	(11)	14 2	14 2	2	1	(11)	37	18 6	32
\$25,000 and over	1	—	—	—	—	—	—	9	18 2	8
Amount or ownership not ascertained	3	1	2	3	7	1	1	2	1	2
All units	100	100	100	100	100	100	100	100	100	100

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

² Includes farm machinery.

³ Real estate other than home or farm on which owner is living. Includes lots, one- or two- family houses, apartment houses, summer or week-end homes, commercial or rental property, farms owned by nonfarmers and additional farms and land owned by farmers, and other types.

⁴ Represents full or part interest in a privately held corporation or in a nonfarm unincorporated business.

⁵ Includes common and preferred stock of corporations open to investment by the general public. Excludes stock of privately held corporations, U. S. Government securities, and bonds of corporations and State, local, and foreign governments.

⁶ Represents total of liquid assets, automobiles, owner-occupied home or farm, other real estate, business interest, corporate stock, and livestock and crops on farms.

⁷ Total reported debt of the spending unit.

⁸ Difference between total selected reported assets and total reported debt.

⁹ Negative net worth. Zero amounts of net worth are entered in the under \$1,000 group.

¹⁰ \$1-\$4,999.

¹¹ Less than one-half of 1 per cent.

¹² \$5,000-\$19,999.

¹³ \$5,000-\$9,949.

¹⁴ \$20,000 and over.

¹⁵ \$9,950 and over.

1950 SURVEY OF CONSUMER FINANCES

eral points can be made, however, in this area.⁷ It is significant that nearly all consumer spending units have a positive net worth (assets greater than liabilities). This indicates that, even though a substantial proportion of all spending units have dissaved in each postwar year (between 27 and 34 per cent annually in the 1946-50 period), different consumers have dissaved for the most part in each of these years. The data also indicate that most consumers who dissave in a particular year are not completely without resources. Approximately 6 in every 10 consumer spending units who dissaved in 1949 had a minimum net worth in early 1950 of \$1,000; between 3 and 4 in 10 units had a net worth of \$5,000 or more. Large amounts of dissaving (\$500 and over) were relatively more frequent among consumers with large net worth (\$5,000 or more) than among those with small net worth (see Table 2).

⁷ The survey definitions of net worth and saving are not identical in coverage of items but they are sufficiently similar to permit general comparisons. The relationship of saving to net worth is discussed in detail in the appendix to this article, p. 1611.

TABLE 2

SIZE OF SAVING OR DISSAVING WITHIN NET WORTH GROUPS,
EARLY 1950¹

[Percentage distribution of spending units within net worth groups]

Amount of saving or dissaving ²	All spending units ³	Amount of net worth ⁴				
		Negative	\$1-\$999	\$1,000-\$4,999	\$5,000-\$24,999	\$25,000 and over
Positive savers...	60	37	52	62	67	74
\$2,000 and over	5	(⁵)	(⁹)	1	5	33
\$1,000-\$1,999	7	1	1	7	13	15
\$500-\$999	12	3	4	16	18	10
\$200-\$499	14	9	10	19	15	10
\$100-\$199	8	9	11	8	7	2
\$1-\$99	14	15	26	11	9	4
Zero savers....	6	5	14	3	3	1
Negative savers...	34	58	34	35	30	25
\$1-\$99	7	21	10	6	4	(⁵)
\$100-\$499	13	23	16	13	10	6
\$500 and over	14	14	8	16	16	19
All units.....	100	100	100	100	100	100
Number of cases...	3,512	238	833	788	1,203	360

¹ Saving from 1949 income related to net worth of the consumer spending unit in early 1950.

² The survey's definition of saving is presented in Appendix I, "The Distribution of Consumer Saving in 1949," Federal Reserve BULLETIN, November 1950, pp. 1452-53.

³ Includes spending units for which net worth was not ascertained.

⁴ Difference between total selected reported assets and total reported debt.

⁵ Less than one-half of 1 per cent.

In general, the proportion of positive savers in 1949 (consumers who spent less than income) was greater at each higher net worth level, as was the average amount saved. As has already been suggested, the converse was not true; the average amount of dissaving was not greatest at the lower end of the net worth scale, although the relative frequency of dissaving was somewhat greater at low net worth levels.

Income groups. There is a marked direct relationship between current income and net worth of consumers. More than half of the spending units with incomes of \$7,500 or more were worth at least \$25,000, while this was the case for only 1 spending unit or less in every 20 at each income level below \$5,000 (see Table 3).

Within each income group, however, there was considerable variation in net worth, as computed. While half of the spending units in the "Under \$1,000" income group were worth less than \$1,000, one-fourth were worth \$5,000 or more, and a small proportion (3 per cent) had net worth of \$25,000 or more. Substantial variations in net worth were also reported at other income levels. This was due largely to the fact that net worth reflects past income and saving, inheritances, changes in capital values, and possibly other factors over a period of time and to the great variation in proportion of income saved by spending units at each income level.

Age and marital status groups. Spending units headed by persons in older age groups, which have had the opportunity to save for the longest period and to gain the greatest appreciation of their capital assets, had a high net worth more frequently than other groups. More than half of all consumer spending units headed by persons 45 years of age and over were worth at least \$5,000 (see Table 3). This proportion compares with about one-fourth for the units headed by persons less than 45 years of age. Conversely, net worth at the low end of the scale (less than \$1,000) was reported with greater relative frequency by consumers under 45 years of age. It should be noted that negative net worth, as computed, was most frequent among the young consumer spending units, those headed by persons under 35 years of age. This group, which constituted about one-third of the population, accounted for somewhat over half of all units having a negative net worth.

1950 SURVEY OF CONSUMER FINANCES

TABLE 3

DISTRIBUTION OF SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY AMOUNT OF NET WORTH, EARLY 1950

Characteristic of spending unit	All cases		Amount of net worth ¹					
	Num-ber	Per cent	Nega-tive	\$1-\$999	\$1,000-\$4,999	\$5,000-\$24,999	\$25,000 and over	Not ascer-tained
All units	2 3,512	100	8	27	23	32	8	2
1949 money income before taxes:								
Under \$1,000	479	100	8	43	20	24	3	2
\$1,000-\$1,999	604	100	12	42	18	23	2	3
\$2,000-\$2,999	672	100	10	30	28	26	4	2
\$3,000-\$3,999	615	100	8	21	29	36	5	1
\$4,000-\$4,999	397	100	6	16	28	43	5	2
\$5,000-\$7,499	437	100	3	5	23	51	14	4
\$7,500 and over	269	100	(2)	1	6	35	55	3
Occupation of head of unit:								
Professional and semiprofessional	287	100	7	17	31	34	10	1
Managerial and self-employed	466	100	2	5	15	48	22	8
Clerical and sales	486	100	6	33	28	28	4	1
Skilled and semiskilled	895	100	10	31	28	29	1	1
Unskilled and service	344	100	17	37	26	19	—	1
Farm operators	410	100	3	12	19	40	22	4
Unemployed	187	100	11	43	20	23	1	2
Retired	180	100	1	27	9	44	19	(3)
Place of residence of unit:								
Metropolitan area	1,157	100	9	27	23	32	7	2
City, 50,000 to 600,000	494	100	10	32	23	28	5	2
Town, 2,500 to 50,000	759	100	7	28	22	33	7	3
Town, under 2,500	493	100	8	27	26	31	6	2
Open country	302	100	6	18	23	36	14	3
Age of head of unit:								
18-24	342	100	14	59	19	5	1	2
25-34	779	100	13	31	33	19	2	2
35-44	777	100	8	23	25	34	7	3
45-54	670	100	5	16	23	43	11	2
55-64	495	100	5	17	16	46	13	3
65 and over	419	100	1	26	15	42	14	2
Years married:								
Not married ⁴	996	100	7	42	24	20	5	2
Less than 3	205	100	17	36	25	16	4	2
3-4	250	100	13	29	30	22	4	2
5-9	377	100	10	21	31	30	5	3
10-19	693	100	9	20	22	38	8	3
20 and over	972	100	4	14	18	48	13	3

¹ Difference between total selected reported assets and total reported debt.² Total includes spending units headed by students, housewives, etc., which are not included in the occupational classification.³ Less than one-half of 1 per cent.⁴ Includes those divorced, separated, or widowed.

The general pattern of net worth for the different age groups of consumers, results partly from the large outlays for basic household equipment—furniture, appliances, etc.—that are made by recently married couples, most of whom are less than 35 years of age. Such goods were not included in the survey computation of assets, but debts incurred in their purchase were treated as liabilities. As can be seen in Table 3, the highest frequency of negative net worth, as computed, occurs among couples married less than three years.⁸

Occupational groups. The entrepreneurial groups

—spending units headed by self-employed or managerial persons or by farm operators—fell into the higher net worth categories with the greatest relative frequency (see Table 3). This was partly due to (1) the fact that a considerable investment in a business or farm is often a prerequisite to entry into these occupations, and (2) the relatively high proportion of large incomes and the high ratio of saving to income over the years for persons in these occupations.

Retired persons also reported large net worth with relatively high frequency. Two in every 10 spending units in this group reported a net worth of \$25,000 or more, and 6 in 10 had \$5,000 or more. Even among those persons who were un-

⁸ For a discussion of this point, see "Purchases of Houses and Durable Goods in 1949 and Buying Plans for 1950," Federal Reserve BULLETIN, July 1950, pp. 788-89.

1950 SURVEY OF CONSUMER FINANCES

TABLE 4

DISTRIBUTION OF SPENDING UNITS HOLDING SPECIFIED TYPES OF ASSETS, BY NET WORTH, EARLY 1950

[Per cent]

Type and amount of asset	Amount of net worth ¹					Type and amount of asset or debt	Amount of net worth ¹				
	Neg- ative	\$1- \$999	\$1,000- \$4,999	\$5,000- \$24,999	\$25,000 and over		Neg- ative	\$1- \$999	\$1,000- \$4,999	\$5,000- \$24,999	\$25,000 and over
Amount of total assets: ²						Value of other real es- tate: ⁶					
Under \$1,000.....	91	89	.....	.....	.....	None.....	98	98	90	80	52
\$1,000-\$4,999.....	7	10	78	.....	.....	Under \$1,000.....	—	2	4	4	1
\$5,000-\$24,999.....	2	1	22	97	.....	\$1,000-\$4,999.....	1	—	5	8	7
\$25,000 and over.....	—	—	—	3	100	\$5,000-\$24,999.....	1	—	1	8	22
All units.....	100	100	100	100	100	\$25,000 and over.....	—	—	(⁴)	(⁴)	17
Amount of total liquid assets: ³						Not ascertained ⁷	—	—	(⁴)	(⁴)	(⁴)
None.....	73	54	24	13	1	All units.....	100	100	100	100	100
\$1-\$199.....	23	21	17	11	3	Value of business interest: ⁸					
\$200-\$499.....	3	14	14	12	6	None.....	99	99	95	86	66
\$500-\$999.....	1	10	12	11	6	Under \$1,000.....	1	1	2	3	2
\$1,000-\$1,999.....	(⁴)	1	18	15	11	\$1,000-\$4,999.....	—	—	3	5	2
\$2,000-\$4,999.....	(⁴)	—	15	23	22	\$5,000-\$24,999.....	—	—	(⁴)	6	12
\$5,000-\$9,999.....	—	—	(⁴)	12	20	\$25,000-\$99,999.....	—	—	—	—	14
\$10,000-\$24,999.....	—	—	—	3	23	\$100,000 and over.....	—	—	—	(⁴)	4
\$25,000 and over.....	—	—	—	—	8	Not ascertained ⁷	—	—	—	(⁴)	(⁴)
All units.....	100	100	100	100	100	All units.....	100	100	100	100	100
Value of automobile or automobiles: ⁵						Amount of stock held: ⁹					
None.....	75	66	46	35	17	None.....	99	99	96	90	68
Under \$550.....	18	20	16	18	10	Under \$500.....	(⁴)	1	2	3	5
\$550-\$1,549.....	6	11	21	21	22	\$500-\$999.....	1	—	1	1	3
\$1,550 and over.....	1	2	17	26	50	\$1,000-\$4,999.....	—	—	1	5	8
Not ascertained.....	—	1	(⁴)	(⁴)	1	\$5,000-\$24,999.....	—	—	—	1	8
All units.....	100	100	100	100	100	\$25,000-\$99,999.....	—	—	—	—	5
Estimated present value of nonfarm home:						\$100,000 and over.....	—	—	—	—	2
None.....	93	91	53	15	15	Not ascertained ⁷	—	—	(⁴)	(⁴)	1
Under \$2,500.....	4	6	9	1	2	All units.....	100	100	100	100	100
\$2,500-\$4,999.....	1	1	19	8	4	Amount of debt: ¹⁰					
\$5,000-\$7,499.....	1	1	11	21	5	None.....	—	61	45	50	64
\$7,500-\$9,999.....	1	1	5	19	9	\$1-\$949.....	80	34	29	14	2
\$10,000-\$12,499.....	(⁴)	(⁴)	2	17	14	\$950-\$1,949.....	8	2	7	7	4
\$12,500-\$14,999.....	(⁴)	—	—	5	5	\$1,950-\$2,949.....	3	1	5	8	4
\$15,000-\$19,999.....	—	—	—	6	17	\$2,950-\$3,949.....	2	(⁴)	3	5	4
\$20,000-\$29,999.....	—	—	—	1	14	\$3,950-\$4,949.....	1	(⁴)	3	3	4
\$30,000 and over.....	—	—	—	(⁴)	10	\$4,950-\$7,449.....	1	1	4	6	4
Not ascertained.....	—	—	1	7	5	\$7,450-\$9,949.....	1	1	3	3	3
All units.....	100	100	100	100	100	\$9,950 and over.....	2	—	1	2	10
						Not ascertained ⁷	2	(⁴)	(⁴)	2	1
						All units.....	100	100	100	100	100
						Number of cases:					
						Nonfarm homes.....	187	549	595	1,004	268
						her.....	238	833	788	1,203	360

¹ Difference between total selected reported assets and total reported debt.² Represents total of liquid assets, automobiles, owner-occupied home or farm, other real estate, business interest, corporate stock, and livestock and crops on farms.³ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.⁴ Less than one-half of 1 per cent.⁵ See appendix for description of method of valuing automobiles.⁶ Real estate other than home or farm on which owner is living. Includes lots, one- or two-family houses, apartment houses, houses, summer or week-end homes, commercial or rental property, farms owned by nonfarmers and additional farms and land owned by farmers, and other types.⁷ Amount or existence of asset holding or of debt not ascertained.⁸ Represents full or part interest in a privately held corporation or in a nonfarm unincorporated business.⁹ Includes common and preferred stock of corporations open to investment by the general public. Excludes stock of privately held corporations, U. S. Government securities, and bonds of corporations and State, local, and foreign governments.¹⁰ Total reported debt of the spending unit.

employed at the time of the survey, it was found that nearly half were worth at least \$1,000 and that one-fourth were worth at least \$5,000. This indicates that many who were unemployed in early 1950 had some resources on which to fall back, al-

though this often would have necessitated the sale of homes or automobiles.

COMPONENTS OF NET WORTH

How is the amount of net worth related to the pattern of asset holdings and to the allocation of

1950 SURVEY OF CONSUMER FINANCES

investible funds? This is an important question on which data from the 1950 survey shed some light. Much further work remains to be done both in developing survey material and in analyzing the results before a full answer can be given. Consumers with small net worth valuations (less than \$5,000) invested most frequently in liquid assets, automobiles, homes, and other real estate (see Table 4). The largest amounts invested by this group were in homes, liquid assets, and other real estate. Investment in business or corporate stock in more than nominal amounts was frequent only for consumers with net worths of \$5,000 or more. Their greater resources permitted a greater diversification of investment and enabled them to invest in assets which usually require a substantial amount of capital.

As in previous years, marked differences were found in the frequency with which ownership of various types of assets was reported by consumer

spending units. As shown in Table 5, the most widely held type of asset included in the net worth calculation was liquid assets—United States Government bonds and savings and checking accounts—which were reported by 7 of every 10 spending units. Ownership of an automobile or a home was also frequent, while investment in a farm, a business, or corporate stock was reported by less than 1 in 10 spending units.

The size of individual types of asset holdings varied considerably, but reports indicated that large investments (\$5,000 or more) were most frequently made in homes for owner occupancy, in other real estate, and in liquid assets.

Among consumers having some net worth in early 1950, approximately one-half had some debt. Debt was most frequent among spending units having a net worth valuation of \$1,000-\$4,999. Although the frequency of debt fell off at higher net worth levels, the frequency of large amounts of debt rose fairly sharply (see Table 4).

TABLE 5

SPENDING UNITS OWNING VARIOUS TYPES OF ASSETS AS PERCENTAGE OF ALL SPENDING UNITS WITHIN SPECIFIED INCOME GROUPS, EARLY 1950 AND 1949

Previous year's money income before taxes	Number of cases		Liquid assets ¹		Automobile		Home or farm ²		Other real estate ³		Business interest ⁴		Corporate stock ⁵	
	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949
Under \$1,000.....	479	416	44	44	24	23	50	46	9	10	3	3	2	3
\$1,000-\$1,999.....	604	571	54	59	37	31	32	30	11	12	5	5	2	3
\$2,000-\$2,999.....	672	722	68	65	54	43	40	36	12	11	5	5	5	5
\$3,000-\$3,999.....	615	686	74	78	63	59	46	46	16	14	6	6	7	6
\$4,000-\$4,999.....	397	416	86	87	74	69	55	54	18	17	10	9	10	9
\$5,000-\$7,499.....	437	408	94	94	82	77	62	59	26	28	15	23	10	15
\$7,500 and over.....	269	262	99	99	89	87	66	70	44	44	36	43	30	36
All cases.....	3,512	3,510	69	71	55	51	46	45	16	16	8	9	7	8

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in saving and loan associations and credit unions. Excludes currency.

² Owner-occupied home or farm.

³ Real estate other than home or farm on which owner is living. Includes lots, one- or two-family houses, apartment houses, summer or week-end homes, commercial or rental property, farms owned by nonfarmers and additional farms and land owned by farmers, and other types.

⁴ Full or part interest in a nonfarm unincorporated business or privately held corporation.

⁵ Common and preferred stock of corporations open to investment by the general public. Excludes stock of privately held corporations, U. S. Government securities, and bonds of corporations and State, local, and foreign governments.

ASSETS

About half of all spending units had total assets, as covered by the survey, valued at \$5,000 or more, and about one-third reported assets of less than \$1,000 (see Table 6). As would be expected, variations in total assets were closely associated with variations in income. Spending units with incomes of less than \$3,000 reported total assets of less than \$1,000 with greater relative frequency than was the

case for higher income groups, while spending units having incomes of \$3,000 or more reported assets of \$5,000 or more with greater relative frequency than did lower income groups.

This relationship between income and assets explains in large measure the survey findings of differences in total assets among different occupational groups (see Table 6). The clerical and sales

1950 SURVEY OF CONSUMER FINANCES

TABLE 6

DISTRIBUTION OF SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY SIZE OF TOTAL ASSETS, EARLY 1950

[Per cent]

Characteristic of spending unit	Number of cases	All units	Total assets ¹				
			Under \$1,000	\$1,000-\$4,999	\$5,000-\$24,999	\$25,000 and over	Not ascertained
All units.....	3,512	100	31	22	37	8	2
1949 annual money income before taxes:							
Under \$1,000.....	479	100	49	19	27	4	1
\$1,000-\$1,999.....	604	100	51	19	26	2	2
\$2,000-\$2,999.....	672	100	36	28	31	4	1
\$3,000-\$3,999.....	615	100	24	26	43	5	1
\$4,000-\$4,999.....	397	100	16	23	53	7	1
\$5,000-\$7,499.....	437	100	6	17	56	17	4
\$7,500 and over.....	269	100	1	4	32	60	3
Occupation of head of unit:							
Professional and semiprofessional.....	287	100	18	31	38	12	1
Managerial and self-employed.....	466	100	6	11	50	25	8
Clerical and sales.....	486	100	35	27	32	5	1
Skilled and semiskilled.....	895	100	34	26	38	1	1
Unskilled and service.....	325	100	51	23	25	(2)	1
Farm operators.....	410	100	10	19	43	24	4
Retired.....	180	100	28	7	46	19	(2)
Age of head of unit:							
18-24.....	342	100	68	24	7	1	(2)
25-34.....	779	100	38	29	29	2	2
35-44.....	777	100	27	22	40	9	2
45-54.....	670	100	19	20	47	13	1
55-64.....	495	100	20	16	48	13	3
65 and over.....	419	100	26	13	44	15	2

¹ Represents total liquid assets, automobiles, owner-occupied home or farm, other real estate, business interest, corporate stock,² and livestock and crops on farms.

² Less than one-half of 1 per cent.

NOTE.—Details may not add to totals because of rounding.

and the wage-earning groups reported total assets of less than \$1,000 with greater relative frequency, and holdings of over \$25,000 with lesser relative frequency, than other occupational groups. These were occupational groups for which incomes of less than \$3,000 were predominant.⁹

The following paragraphs give additional details concerning the major classes of consumer asset holdings. Livestock and crops are included in total assets but are not shown or discussed separately.

LIQUID ASSETS

Frequency and size of liquid asset holdings. Liquid assets are still broadly distributed among consumers despite the fact that the proportion of spending units having no liquid assets increased somewhat during 1949 (from 29 to 31 per cent). In early 1950 approximately 7 of every 10 spending units are estimated to have had some type of liquid asset in the form of United States Government bonds,

of savings and checking accounts in banks, of postal savings, or of shares in savings and loan associations or in credit unions. The number of units owning liquid assets—roughly 36 million—was as large as a year earlier and approximately 1.5 million units more than in early 1946. Since there has been an increase in the total number of spending units in the period 1946-50, it has been possible for the number of units having no liquid assets to increase also. Over the four years, this group has grown from approximately 11 to 16 million spending units.

As indicated in Table 7, nearly one-third of all consumer spending units had no liquid assets in early 1950; a little more than one-third owned liquid assets of less than \$1,000; and about one-third had \$1,000 or more. It should be noted that holdings of currency are not included in any liquid asset tabulations from the survey.

For all spending units, including nonholders as well as holders, the median amount of liquid assets held early this year was \$250 compared with \$300

⁹ "Distribution of Consumer Income in 1949," Federal Reserve BULLETIN, August 1950, Table 15, p. 963.

1950 SURVEY OF CONSUMER FINANCES

TABLE 7

DISTRIBUTION OF SPENDING UNITS, BY SIZE OF LIQUID ASSET HOLDINGS, EARLY 1950, 1949, 1948, AND 1947¹

[Per cent]

Amount of liquid assets held ²	1950	1949	1948	1947
None.....	31	29	27	24
\$1-\$199.....	16	16	15	14
\$200-\$499.....	11	13	13	12
\$500-\$999.....	10	11	12	14
\$1,000-\$1,999.....	10	11	12	14
\$2,000-\$4,999.....	13	12	12	14
\$5,000-\$9,999.....	6	5	5	5
\$10,000 and over.....	3	3	4	3
All units.....	100	100	100	100
Median holdings of all units.....	\$250	\$300	\$350	\$470
Median holdings of those with assets.....	\$810	\$790	\$820	\$890

¹ Liquid asset data represent holdings early in the years indicated and are based on interviews during January, February, and early March.

² Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency. Data for 1949 do not include shares in credit unions, but these are relatively small in the aggregate and not likely to affect totals significantly.

at the beginning of 1949 and \$400 early in 1946.¹⁰ For the 36 million spending units having some liquid assets at the beginning of this year, the median amount held was \$810. This median was about the same as a year earlier but was about 5 per cent above the median in early 1946.

Distribution of total liquid assets. A significant decline took place during 1949 in the proportion of total liquid assets that were owned by the tenth of the population with the highest money incomes. This decline more than offset the slight increase in the share of the highest tenth that had taken place during the preceding years of the postwar period. In early 1950, the highest tenth held about 35 per cent of the total compared with 44 and 40 per cent for the comparable tenths in early 1949 and 1946, respectively (see Table 8). Changes between 1949 and 1950 in the shares of each of the other nine income deciles were not large enough to be statistically significant.

This shift in holdings of liquid assets is also apparent in the lessened frequency of large liquid

¹⁰ Figures for 1946 appear in the Federal Reserve BULLETIN for July 1948, Table 1, p. 767. It is important to keep in mind in interpreting these figures on liquid asset holdings that there is a serious understatement of liquid asset holdings for the reasons mentioned in the introduction to the article.

TABLE 8

PROPORTION OF LIQUID ASSETS HELD BY EACH TENTH OF THE NATION'S SPENDING UNITS, WHEN RANKED BY SIZE OF INCOME, EARLY 1950, 1949, 1948, AND 1946¹

Spending units ranked according to annual money income before taxes	Percentage of liquid assets									
	By each tenth					Cumulative				
	1950	1949	1948	1947	1946	1950	1949	1948	1947	1946
Highest tenth.....	35	44	43	39	40	35	44	43	39	40
Second.....	13	11	14	15	13	48	54	57	54	53
Third.....	10	9	8	9	10	58	64	65	63	63
Fourth.....	8	8	7	7	7	66	71	72	70	70
Fifth.....	8	6	5	7	8	73	77	77	77	78
Sixth.....	6	6	6	7	6	79	83	83	84	84
Seventh.....	7	6	4	5	5	86	89	87	89	89
Eighth.....	5	3	4	4	4	92	92	91	93	93
Ninth.....	4	4	4	4	3	96	97	95	97	96
Lowest tenth.....	4	3	5	3	4	100	100	100	100	100

¹ Spending units are ranked in order of their incomes in the calendar year preceding that for which the division of liquid assets is given.

NOTE.—Detailed figures may not add to cumulative figures because of rounding.

asset holdings (\$2,000 or more) by the \$5,000 and over income group and the increased frequency of such holdings by spending units with incomes of less than \$3,000 (see Table 9).¹¹ It is possible that readjustments in the economy during 1949 may have influenced many persons to retire, especially those who were on the verge of taking this step and who were in relatively good financial circumstances. The readjustments of 1949 may also have brought into lower income groups, possibly temporarily, many businessmen and farmers with substantial amounts of liquid assets.

There appears to have been little change in the distribution of liquid assets when only size of this item is considered. The highest tenth of spending units, when ranked according to amount of liquid asset holdings in early 1950, held about two-thirds of total liquid assets of consumers. This proportion is not significantly different from that in early 1949 or 1948. The next highest decile held about a fifth of the total, and the six highest deciles held practically all of the liquid assets in the consumer sector of the economy (see Table 10).

In trying to evaluate the potential economic

¹¹ See "Methods of the Survey of Consumer Finances," Federal Reserve BULLETIN, July 1950, pp. 795 ff., for discussion of the differences required for statistical significance.

1950 SURVEY OF CONSUMER FINANCES

TABLE 9

TYPE AND SIZE OF LIQUID ASSET HOLDINGS WITHIN VARIOUS INCOME GROUPS, EARLY 1950, 1949, 1948, AND 1947¹

Type and amount of liquid assets held	Percentage distribution of spending units within income groups															
	Under \$1,000				\$1,000-\$2,999				\$3,000-\$4,999				\$5,000 and over			
	1950	1949	1948	1947	1950	1949	1948	1947	1950	1949	1948	1947	1950	1949	1948	1947
Total liquid assets: ²																
None.....	56	56	56	51	39	38	34	27	21	19	14	10	4	5	2	—
\$1-\$499.....	23	24	21	27	29	29	32	31	32	35	31	24	22	17	13	10
\$500-\$1,999.....	11	12	14	15	18	21	23	30	25	25	30	34	25	23	24	22
\$2,000-\$4,999.....	6	5	6	5	9	8	7	9	15	14	18	24	23	25	27	27
\$5,000 and over.....	4	3	3	2	5	4	4	3	7	7	7	8	26	30	34	41
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
U. S. savings bonds (Series A-F): ³																
None.....	83	80	79	75	68	63	60	47	54	49	43	28	37	34	25	13
\$1-\$499.....	11	11	17	19	22	25	28	37	26	29	32	36	25	25	20	21
\$500-\$1,999.....	4	6	2	4	6	9	9	13	14	16	19	30	21	21	30	34
\$2,000 and over.....	2	3	2	2	4	3	3	3	6	6	6	6	17	20	25	32
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Savings accounts: ⁴																
None.....	76	75	77	74	64	62	62	56	51	49	44	39	41	39	31	31
\$1-\$499.....	10	12	9	15	17	19	20	21	22	24	24	20	18	14	15	15
\$500-\$1,999.....	7	9	8	8	12	12	13	17	16	15	19	25	17	22	23	18
\$2,000 and over.....	7	4	6	3	7	7	5	6	11	12	13	16	24	25	31	36
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Checking accounts:																
None.....	79	81	77	79	70	72	72	70	54	59	56	56	25	22	25	21
\$1-\$499.....	13	11	13	14	19	19	19	19	31	28	30	26	34	36	28	26
\$500-\$1,999.....	6	7	8	6	8	7	7	9	11	10	10	14	20	25	29	30
\$2,000 and over.....	2	1	2	1	3	2	2	2	4	3	4	4	21	17	18	23
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	479	416	(⁵)	(⁵)	1,276	1,294	(⁵)	(⁵)	1,012	1,101	(⁵)	(⁵)	706	670	(⁵)	(⁵)

¹ Liquid asset data are based on interviews in January, February, and early March of the years indicated. Income groups are based on annual money income before taxes of year previous to interview.

² Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

³ Amounts for 1950, 1949, and 1948 are shown at 81 per cent, 80 per cent, and 79 per cent, respectively, of maturity value, except for recent purchases, which are shown at purchase price. Amounts for 1947 are shown at purchase price.

⁴ Includes savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. In 1949 shares in credit unions were omitted.

⁵ Data not available.

effects of these consumer reserve funds, it is helpful to know the total dollar amount of liquid assets held by broad income groups. Survey estimates of total liquid asset holdings are of limited value for this purpose, inasmuch as faulty memory or unwillingness to furnish information about such holdings resulted in a substantial amount of under-reporting. However, Treasury and banking statistics—indicating that individual holdings of liquid assets of the types covered by the survey aggregated about 133 billion dollars at the end of 1949—can be roughly adjusted and distributed according to survey findings on the percentage distribution of holdings by income groups. It is assumed that holdings based on Treasury and banking sources are distributed percentagewise among the income tenths

TABLE 10
DISTRIBUTION OF LIQUID ASSETS AMONG SPENDING UNITS
WHEN RANKED BY SIZE OF LIQUID ASSET HOLDINGS
EARLY 1950, 1949, AND 1948

Spending units ranked according to amount of liquid assets held	Percentage of liquid assets		
	Early 1950	Early 1949	Early 1948
Highest tenth.....	64	66	66
Second.....	19	17	17
Third.....	9	9	8
Fourth.....	5	5	5
Fifth.....	2	2	3
Sixth.....	1	1	1
Seventh.....	(¹)	(¹)	(¹)
Eighth.....	—	(¹)	(¹)
Ninth.....	—	—	—
Lowest tenth.....	—	—	—
All tenths.....	100	100	100

¹ Less than one-half of 1 per cent.

1950 SURVEY OF CONSUMER FINANCES

in about the same way as data derived from the survey. In such a calculation, it must be noted that the estimates based on Treasury and banking statistics relate to the entire population, while survey estimates include only those persons living in private households. Further, the two sets of data may differ in their classification of individual liquid asset holdings as personal or nonpersonal.

From these data it is estimated that the 5 million spending units making up the top 10 per cent of the income receivers (with annual incomes of \$5,800 or more) held roughly 45 billion dollars in the form of United States Government bonds and savings and checking accounts at the beginning of 1950. The next 21 million spending units, which make up the remainder of the top half of the income receivers (incomes of \$2,700-\$5,800) accounted for approximately 49 billion dollars; and the 26 million consumer units in the lower half of the income distribution (incomes of less than \$2,700) held about 35 billion dollars. The remaining 5 billion dollars represents the approximate holdings of institutions and floating groups not covered by the survey.

Types of liquid assets. Survey findings on reported holdings of the different types of liquid assets indicated that the increase from early 1947 to early 1950 in the proportion of spending units with no liquid assets has resulted largely from a sharp increase in the proportion with no holdings of United States savings bonds and a slight increase in the proportion without savings accounts. Since 1947, the proportion of units with no holdings of bonds has increased from 44 to 61 per cent and the

TABLE 11

TYPE AND SIZE OF LIQUID ASSET HOLDINGS
EARLY 1950, 1949, 1948, 1947, AND 1946¹

[Percentage distribution of all spending units]

Type and amount of liquid assets held	1950	1949	1948	1947	1946
Total liquid assets:²					
None.....	31	29	27	24	24
\$1-\$499.....	27	28	27	26	29
\$500-\$1,999.....	20	22	24	28	29
\$2,000-\$4,999.....	13	12	13	14	12
\$5,000 and over.....	9	9	9	8	6
All units.....	100	100	100	100	100
U. S. savings bonds: (Series A-F)³					
None.....	61	56	53	44	37
\$1-\$499.....	23	25	26	32	37
\$500-\$1,999.....	10	13	14	18	20
\$2,000 and over.....	6	6	7	6	6
All units.....	100	100	100	100	100
Savings accounts:⁴					
None.....	58	56	55	53	61
\$1-\$499.....	18	19	19	18	16
\$500-\$1,999.....	13	14	15	18	16
\$2,000 and over.....	11	11	11	11	7
All units.....	100	100	100	100	100
Checking accounts:					
None.....	59	61	61	63	66
\$1-\$499.....	24	23	23	21	18
\$500-\$1,999.....	11	11	11	12	14
\$2,000 and over.....	6	5	5	4	2
All units.....	100	100	100	100	100

¹ Liquid asset data are based on interviews in January, February, and early March of the year indicated.

² Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

³ Amounts for 1950, 1949, and 1948 are shown at 81 per cent, 80 per cent, and 79 per cent, respectively, of maturity value, except for recent purchases, which are shown at purchase price. Amounts for 1947 and 1946 are shown at purchase price.

⁴ Includes savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. In 1949 shares in credit unions were omitted.

TABLE 12

RELATION OF LIQUID ASSET HOLDINGS TO HOLDINGS OF UNITED STATES GOVERNMENT BONDS, EARLY 1950

Amount of liquid assets held ¹	Percentage distribution of spending units within bond holding groups							
	All bond holding groups	Holdings of U. S. Government bonds ²						
		None	\$1- \$199	\$200- \$499	\$500- \$999	\$1,000- \$1,999	\$2,000- \$4,999	\$5,000 and over
None.....	31	51	—	—	—	—	—	—
\$1-\$199.....	16	19	35	—	—	—	—	—
\$200-\$499.....	11	10	24	26	—	—	—	—
\$500-\$999.....	10	6	17	26	22	—	—	—
\$1,000-\$1,999.....	10	6	13	20	36	28	—	—
\$2,000-\$4,999.....	13	6	8	20	31	48	54	—
\$5,000-\$9,999.....	6	2	2	7	10	16	36	27
\$10,000 and over.....	3	(9)	1	1	1	8	10	73
All units.....	100	100	100	100	100	100	100	100
Number of cases.....	3,512	1,975	439	352	256	156	212	122

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

² Includes both savings bonds (Series A-F) and bonds paying interest currently; savings bonds are valued at 81 per cent of maturity except for recent purchases, which were valued at purchase price.

³ Less than one-half of 1 per cent.

1950 SURVEY OF CONSUMER FINANCES

TABLE 13

CHANGE IN LIQUID ASSET HOLDINGS OF SPENDING UNITS WITHIN DIFFERENT INCOME GROUPS, 1949 AND 1948¹

[Percentage distribution of all spending units within income groups]

Change in liquid asset holdings	All spending units		Annual money income before taxes													
			Under \$1,000		\$1,000-\$1,999		\$2,000-\$2,999		\$3,000-\$3,999		\$4,000-\$4,999		\$5,000-\$7,499		\$7,500 and over	
	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948
Increase.....	26	26	9	7	17	19	27	24	28	31	37	33	35	38	47	38
No change ²	16	15	11	14	15	16	15	16	15	13	17	17	20	16	23	19
Decrease.....	31	32	28	26	27	28	30	30	35	36	34	37	38	37	26	34
No liquid assets at beginning or end of period.....	26	23	51	50	40	34	27	27	20	15	11	10	4	3	1	1
Not ascertained.....	1	4	1	3	1	3	1	3	2	5	1	3	3	6	3	8
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases	3,512	3,510	479	416	604	571	672	722	615	686	397	416	437	408	269	262

¹ Changes for 1949 based on holdings of liquid assets in early 1950 and a year earlier as reported by spending units during January-March 1950; changes for 1948 based on holdings of liquid assets in early 1949 and a year earlier as reported by spending units during January-March 1949.

² Includes change in assets due to accrual of interest on U. S. savings bonds (Series A-F).

³ Total includes units for which income was not ascertained and thus exceeds sum of income groups.

proportion without savings accounts has increased from about 53 to 58 per cent (see Table 11). Although little change took place over this period in the size of checking accounts at banks, there has been a statistically significant increase, from 37 per cent in 1947 to 41 per cent in 1950, in the proportion of units who have such accounts.

It is of interest that approximately half of the consumer spending units having no savings bonds do hold other types of liquid assets. About one-fourth of the group without any bonds did have at least \$1,000 in savings and checking accounts (see Table 12).

Purposes for which liquid assets were used. During 1949, as in 1948, one-fourth of all spending units reported an increase in the amount of their liquid asset holdings and about one-third reported a decrease (see Table 13). Those spending units with reductions in liquid assets were asked to indicate the uses to which the funds were put. Medical expenses and other large outlays, such as repairs and additions to homes, travel, education, and car repairs, were reported with greater relative frequency than any other major use of funds (see Table 14). For consumers reporting reductions of less than \$500, medical expenses was the most frequently mentioned use of funds. Spending units reporting relatively large reductions in liquid assets

TABLE 14

MAJOR TYPES OF EXPENDITURES OF SPENDING UNITS REPORTING REDUCTION IN LIQUID ASSETS DURING 1949
ACCORDING TO INCOME GROUPS¹

As percentage of spending units reducing liquid assets in specified groups]

Type of expenditure	All spending units reducing liquid assets	1949 income of spending units reducing liquid assets		
		Under \$2,000	\$2,000-\$4,999	\$5,000 and over
Medical.....	43	41	46	38
Food, clothing, and non-durable goods ²	34	49	31	17
Automobiles and other durable goods.....	26	13	30	35
Investments and reduction of debt ³	18	16	16	25
Other large outlays ⁴	41	35	38	57

¹ Data are not comparable to the 1949 survey findings on reduction of liquid assets because of changes in the wording of the questionnaire. This table is based on answers to two questions asked of spending units reporting reductions in liquid assets: "What sort of things did you use this money for?" and "Did you have any large expenses we did not talk about, for instance, doctor and hospital bills, expenses for moving or trips or the like?"

² Reported as reasons for reduction of liquid assets.

³ Investments include purchases of securities and real estate and investment in privately owned business.

⁴ Includes repairs and additions to houses, travel, amusement, education, taxes, car repairs, moving, and farm operating expenses.

used funds much more frequently to purchase durable goods and to make investments or reduce debt than was the case for units reporting small reductions in liquid assets.

1950 SURVEY OF CONSUMER FINANCES

HOMES

A major item in the financial position of many a consumer is his home. It represents a substantial proportion of his total assets, and the debt incurred in connection with purchasing a home accounts for a large part of his total indebtedness. Roughly 21 million nonfarm family units owned their homes in early 1950, an increase of about three quarters of a million since the beginning of 1949. The proportion of nonfarm families owning their own homes was the same in early 1950 (about one-half) as a year earlier. Nearly half of these home-owning families had some obligation related to the home in early 1950, either a mortgage, a land contract, or other type of house debt.

In early 1950, as at the beginning of 1949, the proportion of consumers who owned their homes rose as the level of income increased. Beginning with the group having incomes of \$1,000-\$1,999, there was a steady increase in the proportion of home owners at each higher income level (see Table 15). About one-third of the group having incomes of \$1,000-\$1,999 owned homes in early 1950 compared with more than two-thirds of those having incomes of \$7,500 and over. The proportion of home owners within the group having incomes less than \$1,000 was greater than would be expected from the consideration of income alone. A relatively large proportion of this income group was composed of retired persons, who own homes with relatively greater frequency than any other occupational group. As would be expected, the proportion of spending units headed by older persons who owned homes was larger than that for spending units headed by younger persons.

The proportion of nonfarm home owners valuing their homes at \$10,000 or more declined significantly in 1949, from 36 per cent in the early part of that year to 30 per cent in early 1950. Significant changes were not apparent within any of the subclassifications of home values. Of all nonfarm owner-occupied homes, a little more than 2 in every 10 were valued at less than \$5,000 and another 4 in 10 were valued at between \$5,000 and \$9,999. The proportion of home owners who placed a value of \$20,000 or more on their homes was very small,

4 per cent (see Table 16).¹²

Much the same relationship that existed between income and the frequency of ownership of liquid assets of different amounts existed between income and the ownership of homes of different values. About half of the spending units having incomes of less than \$1,000 value their homes at less than \$5,000, and only about a tenth of this income group value their homes at \$10,000 or more (see Table 18). About three-fourths of the spending units with incomes of \$7,500 or more value their homes at \$10,000 or more. Over a fourth of this higher income group value their homes at \$20,000 or more.

The distribution of primary spending units within occupational groups by the valuation of homes reflects the basic influence of income. Those occupational groups in which higher incomes are most frequent—primarily the self-employed and managerial and the professional and semiprofessional groups—reported owning homes of high value with greater relative frequency and homes of low value with lesser relative frequency than the other occupational groups (see Table 18). As was the case with liquid assets, retired persons reported owning homes of high value more often than would be expected from a consideration of current income alone.

As might be expected, the size distribution of owners' equities within income groups exhibited the same relationship as that found between house value and income (see Table 19). Thus, in the uppermost income groups almost 50 per cent of spending units had equities in their homes of \$12,500 or more, while less than 10 per cent of each income group below \$4,000 had such large equities. The size of the owners' equities also increased steadily with each older age group because of the longer periods during which payments have been

¹² Through the cooperation of the American Institute of Real Estate Appraisers, the Federal Housing Administration, and the Society of Residential Appraisers, professional appraisals were obtained for about 550 of the owner-occupied homes included in the survey. Preliminary analysis indicates that owners' estimates are fairly reliable guides to the value of their homes. The owner's estimate was within 20 per cent of the professional appraisal in about 60 per cent of the cases. The percentage of home owners valuing their homes at more than the professional appraisal was approximately equal to the percentage undervaluing their homes.

1950 SURVEY OF CONSUMER FINANCES

made on mortgages. This influence is also evident in the relation of the equity to the time at which the home was purchased; the greatest relative fre-

quency of equities of \$10,000 or more was found among homes purchased in the inter-war decades. The frequency of equities of this size dropped off

TABLE 15
SIGNIFICANT CHARACTERISTICS OF HOME-OWNING AND RENT-PAYING NONFARM FAMILIES, EARLY 1950 AND 1949¹
[Percentage distribution of nonfarm family units within specified groups]

Family characteristic	Number of cases		Home-owning		Rent-paying		Neither	
	1950	1949	1950	1949	1950	1949	1950	1949
All nonfarm families.....	2,670	2,678	51	51	44	44	5	5
Family income in preceding year (before taxes):								
Under \$1,000.....	268	199	43	46	41	37	16	17
\$1,000-\$1,999.....	372	329	35	34	56	57	9	9
\$2,000-\$2,999.....	472	467	47	43	49	51	4	6
\$3,000-\$3,999.....	538	558	50	49	48	49	2	2
\$4,000-\$4,999.....	363	365	55	58	43	40	2	2
\$5,000-\$7,499.....	392	414	65	63	33	35	2	2
\$7,500 and over.....	233	293	71	73	27	25	2	2
Occupation of head of family:								
Professional and semiprofessional.....	254	254	41	49	52	43	7	8
Managerial and self-employed.....	441	444	66	65	31	30	3	5
Clerical and sales.....	349	365	44	46	54	53	2	1
Skilled and semiskilled.....	765	788	55	52	43	47	2	1
Unskilled and service.....	294	372	36	40	49	46	15	14
Retired.....	176	180	69	60	25	33	6	7
Age of head of family:								
18-24.....	120	136	18	22	76	64	6	14
25-34.....	585	548	33	35	62	61	5	4
35-44.....	626	638	51	53	45	43	4	4
45-54.....	555	620	60	59	35	37	5	4
55-64.....	402	424	65	61	28	35	7	4
65 and over.....	354	304	65	60	30	31	5	9
Place of residence of family:								
Metropolitan area.....	959	874	45	43	52	54	3	3
Other city, 50,000 and over.....	433	439	43	45	54	52	3	3
Small city or rural area.....	1,278	1,365	57	58	36	35	7	7
Veteran status:								
No veteran in family.....	1,957	2,009	54	54	41	41	5	5
One or more veterans in family.....	694	638	42	41	54	56	4	3

¹ In this and subsequent tables, families include single-person units. Comparable data for 1948 are given in Table 1, Federal Reserve BULLETIN, September 1949, p. 1040.

TABLE 16
OWNERS' ESTIMATES OF CURRENT VALUE OF HOMES
EARLY 1950 AND 1949¹

Value	Percentage of families	
	1950	1949
Under \$5,000.....	24	23
\$5,000-\$7,499.....	21	19
\$7,500-\$9,999.....	18	16
\$10,000-\$12,499.....	15	17
\$12,500-\$19,999.....	11	13
\$20,000 and over.....	4	6
Not ascertained.....	7	6
All families.....	100	100
Number of cases.....	1,417	1,413

¹ For houses bought in 1949-50, the purchase price, rather than the owner's estimate of current value, was used.

TABLE 17
EQUITY OF HOME-OWNING NONFARM FAMILIES
EARLY 1950 AND 1949

Equity ¹	Percentage of families	
	1950	1949
Under \$2,500.....	17	14
\$2,500-\$4,999.....	21	21
\$5,000-\$7,499.....	21	20
\$7,500-\$9,999.....	14	12
\$10,000-\$12,499.....	10	12
\$12,500-\$14,999.....	3	3
\$15,000-\$19,999.....	4	5
\$20,000 and over.....	3	4
Not ascertained.....	7	9
All families.....	100	100
Number of cases.....	1,417	1,413

¹ Owner's estimate of current value of home, less any mortgage or other debt on home.

1950 SURVEY OF CONSUMER FINANCES

TABLE 18
SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY SIZE OF OWNER'S ESTIMATE OF CURRENT VALUE OF HOME,
EARLY 1950

[Percentage distribution of home-owning nonfarm primary spending units within specified groups]

Characteristic of spending unit	Number of cases	Owner's estimate of home value							Not ascertained
		All cases	Under \$5,000	\$5,000-\$7,499	\$7,500-\$9,999	\$10,000-\$12,499	\$12,500-\$19,999	\$20,000 and over	
All home-owning nonfarm primary spending units.....	1,417	100	24	21	18	15	11	4	-
1949 income of primary spending unit: ²									
Under \$1,000.....	126	100	47	18	12	8	3	1	11
\$1,000-\$1,999.....	154	100	33	24	17	12	3	1	10
\$2,000-\$2,999.....	233	100	36	25	15	11	6	2	5
\$3,000-\$3,999.....	271	100	22	26	21	14	10	1	6
\$4,000-\$4,999.....	204	100	12	22	22	19	15	4	6
\$5,000-\$7,499.....	246	100	8	17	20	27	18	5	5
\$7,500 and over.....	166	100	3	4	13	13	33	28	6
Occupation of head of unit:									
Professional and semiprofessional.....	(³)	100	5	9	16	17	31	17	5
Managerial and self-employed.....	(³)	100	15	16	18	17	18	10	6
Clerical and sales.....	(³)	100	13	19	22	22	15	4	5
Skilled and semiskilled.....	(³)	100	29	26	19	14	7	1	4
Unskilled and service.....	(³)	100	39	21	16	11	4	—	9
Retired.....	(³)	100	19	17	16	19	11	4	14
Place of residence of unit:									
Metropolitan area.....	452	100	8	11	23	24	23	7	4
Other city, 50,000 and over.....	206	100	16	21	26	17	10	3	7
Small city or rural area.....	759	100	34	26	13	11	6	3	7

¹ Total cases for different characteristics may be less because of cases for which characteristics were not ascertained.

² The primary spending unit includes the person considered as head of the family in those homes containing several related spending units.

³ Data not available.

TABLE 19
SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY SIZE OF EQUITY IN HOME, EARLY 1950

[Percentage distribution of home-owning nonfarm primary spending units within specified groups]

Characteristic of spending unit	Number of cases	Equity in home ¹								Not ascertained
		All cases	Under \$2,500	\$2,500-\$4,999	\$5,000-\$7,499	\$7,500-\$9,999	\$10,000-\$12,499	\$12,500-\$19,999	\$20,000 and over	
All home-owning nonfarm primary spending units ²	1,417	100	17	21	21	14	10	7	3	-
1949 income of primary spending unit:										
Under \$1,000.....	126	100	23	25	21	11	6	2	1	11
\$1,000-\$1,999.....	154	100	19	20	19	15	12	3	1	11
\$2,000-\$2,999.....	233	100	23	27	19	12	9	4	1	5
\$3,000-\$3,999.....	271	100	20	21	24	14	9	5	1	6
\$4,000-\$4,999.....	204	100	12	25	18	16	11	9	3	6
\$5,000-\$7,499.....	246	100	11	16	29	16	11	9	4	4
\$7,500 and over.....	166	100	4	5	12	10	13	27	22	7
Age of head of spending unit:										
18-34.....	229	100	33	28	20	9	6	2	1	1
35-44.....	338	100	23	25	18	12	7	6	3	6
45-54.....	338	100	13	20	22	16	10	9	3	7
55-64.....	267	100	7	14	25	19	13	9	5	8
65 and over.....	228	100	9	16	22	13	15	9	4	12
Year of purchase of home:										
1949-50.....	108	100	57	20	8	7	5	1	1	1
1948.....	158	100	30	26	16	10	7	4	2	5
1946-47.....	248	100	24	28	19	10	6	8	1	4
1940-45.....	375	100	10	22	28	16	9	8	4	3
1930-39.....	203	100	4	18	20	18	15	8	6	11
1920-29.....	147	100	8	16	17	18	18	9	4	10
Before 1920.....	105	100	10	11	32	14	12	10	2	9

¹ Owner's estimate of current value of home, less any mortgage or other debt on home.

² The primary spending unit includes the person considered as head of the family in those homes containing several related spending units.

³ Total cases for different characteristics may be less because of cases for which characteristics were not ascertained.

1950 SURVEY OF CONSUMER FINANCES

somewhat among homes purchased before 1920, probably because of the smaller valuation of older homes.

Survey information on mortgage indebtedness of home owners is presented in a later section of this article.

FARMS

Estimates of the value of owner-occupied farms were obtained for the first time in the 1950 survey. About 64 per cent of primary spending units headed by farm operators owned their farms (see Table 20). The amount of the investment in owner-

operated farms was generally larger than the investment in owner-occupied homes. About 17 per cent of all farm operators had investments in farms and farm machinery valued at \$20,000 or more. Thus about one-fourth of the group that owned their farms valued them at \$20,000 or more in contrast to 4 per cent of home owners who valued their homes at such amounts (see Table 16). Higher values for owner-occupied farms than for homes reflect the fact that the farm represents a major business asset of the owner as well as his home.

OTHER REAL ESTATE

About one-sixth of all spending units owned real estate other than owner-occupied home or farm (see Table 21). As with other assets, the frequency of ownership of such real estate rose with increases in the level of income—from approximately 9 per cent in the lowest income group to about 44 per cent in the highest. The value of other real estate owned in the higher income groups also tended to be much higher than among lower income groups.

Farms or farm land, one- or two-family houses, and lots were the most frequently reported types of other real estate (see Table 22). The more valuable types of real estate—apartment houses and commercial or rental property—appeared to a noticeable extent only in the groups with incomes of \$5,000 or more. Summer and week-end homes also occurred with significant frequency only in these groups.

TABLE 20

OWNER'S ESTIMATES OF CURRENT VALUE OF FARMS AND EQUITIES IN FARMS, EARLY 1950¹

[Percentage distribution of farm operating families]

Value of or amount of equity in farm	Value	Equity
Nonowner operator.....	36	36
Owner operator.....	64	64
Value or equity:		
Under \$2,500.....	16	7
\$2,500-\$4,999.....	6	10
\$5,000-\$7,499.....	7	7
\$7,500-\$9,999.....	3	5
\$10,000-\$12,499.....	12	6
\$12,500-\$19,999.....	17	9
\$20,000 and over.....	3	17
Not ascertained.....		3
All families.....	100	100
Number of cases.....	410	410

¹ Farm value includes farm machinery and buildings but excludes crops and livestock. Equity is the owner's estimate of current value of the farm less any mortgage or other debt on the farm.

TABLE 21

SIZE OF OTHER REAL ESTATE HOLDINGS WITHIN INCOME AND LIQUID ASSET GROUPS, EARLY 1950

[Percentage distribution of spending units within specified groups]

Value of other real estate	All groups	1949 money income before taxes							Amount of liquid assets held ¹							
		Under \$1,000	\$1,000-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$7,499	\$7,500 and over	None	\$1-\$199	\$200-\$499	\$500-\$999	\$1,000-\$1,999	\$2,000-\$4,999	\$5,000-\$9,999	\$10,000 and over
None ²	84	91	88	89	84	82	75	56	93	95	88	86	80	82	74	59
\$1-\$999.....	4	3	3	3	6	4	3	3	2	3	2	4	5	4	2	3
\$1,000-\$4,999.....	5	3	5	4	4	6	9	9	3	2	5	5	6	4	9	9
\$5,000-\$24,999.....	5	3	3	3	5	7	10	19	2	2	4	4	7	7	10	19
\$25,000 and over.....	2	(*)	(*)	1	1	1	3	12	—	1	1	1	2	3	5	9
Not ascertained.....	(*)	—	(*)	(*)	(*)	—	—	1	—	(*)	—	(*)	(*)	(*)	—	1
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases..	3,512	479	604	672	615	397	437	269	922	532	412	367	378	501	248	152

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

² Includes a few cases in which ownership of other real estate was not ascertained.

³ Less than one-half of 1 per cent.

1950 SURVEY OF CONSUMER FINANCES

TABLE 22

SPENDING UNITS OWNING REAL ESTATE OTHER THAN HOMES AS PERCENTAGE OF ALL SPENDING UNITS WITHIN SPECIFIED GROUPS, EARLY 1950

Type of real estate	All spending units	1949 money income before taxes							Value of other real estate		
		Under \$1,000	\$1,000-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$7,499	\$7,500 and over	Under \$1,000	\$1,000-\$4,999	\$5,000 and over
None ¹	84	91	88	89	84	82	74	56	.....	.....	.....
One- or two-family house (other than owner-occupied).....	4	3	3	3	5	6	6	12	7	30	38
Apartment house.....	(2)	—	(2)	(2)	1	(2)	1	3	—	(2)	7
Summer or week-end home.....	1	(2)	1	(2)	1	1	4	3	6	14	2
Commercial or rental property.....	2	1	(2)	(2)	1	1	4	6	2	4	18
Farm or farm land (other than owner-occupied).....	4	4	4	3	3	4	5	12	13	20	32
Lot.....	4	2	3	4	5	5	5	7	70	29	1
Other.....	(2)	(2)	(2)	—	(2)	—	1	—	2	2	1
Several types.....	—	—	—	—	—	—	—	(2)	—	—	(2)
Type not specified.....	(2)	—	—	(2)	—	—	(2)	1	—	1	1
All units.....	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	3,512	479	604	672	615	397	437	269	126	189	273

¹ Includes a few spending units for which no information concerning ownership was obtained.² Less than one-half of 1 per cent.

NOTE.—Details may not add to totals because of rounding.

AUTOMOBILES

Slightly more than half of all spending units reported owning automobiles, and approximately 4 per cent owned more than one automobile. As with other major assets, there was a close association between size of income and the frequency of ownership of automobiles (see Table 23). Only about 20 per cent of spending units having incomes of under

\$1,000 reported owning automobiles, while about 90 per cent of the spending units having incomes of \$7,500 or more owned automobiles. As would be expected, cars with the highest values were owned most frequently by spending units in the higher income groups.

Survey findings give some indication of the ownership distribution of the higher priced cars of the postwar period. About one-third of all cars

TABLE 23

VALUE OF AUTOMOBILES OWNED BY SPENDING UNITS WITHIN INCOME AND OCCUPATIONAL GROUPS, EARLY 1950

[Per cent]

Value of automobile ¹	All spending units	1949 money income before taxes							Occupation of head of spending unit						
		Under \$1,000	\$1,000-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$7,499	\$7,500 and over	Professional and semi-professional	Managerial and self-employed	Clerical and sales	Skilled and semi-skilled	Unskilled and service	Farm operator	Retired
No automobile owned.....	47	81	67	50	38	27	19	11	29	30	52	40	67	36	67
Automobile owned.....	53	19	33	50	62	73	81	89	71	70	48	60	33	64	33
Value of automobile:															
Under \$550.....	18	11	14	22	24	20	13	9	16	16	12	24	16	20	12
\$550-\$1,549.....	17	4	11	18	22	30	23	17	20	19	16	23	11	19	11
\$1,550 and over.....	17	4	7	9	15	23	44	62	33	35	20	13	6	24	10
Not ascertained.....	1	(2)	1	1	(2)	(2)	1	1	2	(2)	(2)	(2)	(2)	1	.....
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	3,512	479	604	672	615	397	437	269	287	466	486	895	344	410	180

¹ In the interviews, the makes and model years of automobiles owned by spending units were obtained. These data were the basis for assigning values. A few 1950 models were entered at their purchase price.² Less than one-half of 1 per cent.

1950 SURVEY OF CONSUMER FINANCES

TABLE 24

SIZE OF STOCKHOLDINGS OF SPENDING UNITS WITHIN VARIOUS INCOME GROUPS, EARLY 1950 ¹

Amount of stock held ²	Percentage distribution of spending units within income groups							
	All income groups	1949 money income of spending unit before taxes						
		Under \$1,000	\$1,000-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$7,499	\$7,500 and over
No stock ³	93	98	98	95	93	90	90	70
Some stock.....	7	2	2	5	7	10	10	30
Amount of stock:								
Under \$500.....	2	1	1	1	2	3	3	3
\$500-\$999.....	1	(4)	(4)	1	2	1	2	1
\$1,000-\$4,999.....	2	1	1	2	2	4	3	8
\$5,000-\$24,999.....	1	(4)	—	1	1	1	1	10
\$25,000 and over.....	(4)	(4)	—	(4)	(4)	(4)	1	8
Not ascertained.....	(4)	(4)	—	—	—	(4)	(4)	—
All units.....	100	100	100	100	100	100	100	100
Number of cases.....	3,512	479	604	672	615	397	437	269

¹ For comparable 1949 data, see Table 10, Federal Reserve BULLETIN, October 1949, p. 1192.² Includes common and preferred stock of corporations open to investment by the general public. Excludes stock of privately held corporations, U. S. Government securities, and bonds of corporations and State, local, and foreign governments.³ Includes about one-half of 1 per cent of all spending units for whom stock ownership was not ascertained.⁴ Less than one-half of 1 per cent.

NOTE.—Details may not add to totals because of rounding.

owned by consumer spending units were valued at \$1,550 or more. Only about one-fifth of the automobiles owned in the lowest income group were worth this much, but at the other end of the income distribution (incomes of \$7,500 and over) more than two-thirds were valued at \$1,550 or more. However, as in previous years, it was found that a substantial proportion of the low-value prewar model cars were owned by high income consumers.

STOCKS

About 7 per cent of all spending units reported ownership of common or preferred stock in corporations open to investment by the general public. Holdings of corporate stocks were relatively common only among spending units having incomes of \$7,500 or more. In this highest income group about 30 per cent reported such holdings (see Table 24). In general, stocks were not held either very frequently or in very large amounts except by spending units having relatively high incomes and relatively large amounts of other assets. For example, less than 10 per cent of the spending units having liquid assets of less than \$2,000 reported owning stock, while about a third of the

group holding \$5,000 or more of liquid assets reported owning stocks (see Table 25).

TABLE 25

RELATION OF STOCK HELD TO TOTAL LIQUID ASSET HOLDINGS
EARLY 1950 ¹

[Percentage distribution of spending units within liquid asset groups]

Amount of stock held ²	Amount of liquid assets held ³				
	None	\$1-\$499	\$500-\$1,999	\$2,000-\$4,999	\$5,000 and over
No stock.....	99	97	92	86	68
Ownership not ascertained.....	—	(4)	(4)	1	2
Some stock.....	1	3	8	13	30
Amount of stock:					
Under \$500.....	(4)	1	3	3	3
\$500-\$999.....	(4)	(4)	2	2	3
\$1,000-\$4,999.....	(4)	1	2	5	11
\$5,000 and over.....	—	(4)	1	3	12
Not ascertained.....	—	—	(4)	(4)	1
All units.....	100	100	100	100	100
Number of cases.....	922	944	745	501	400

¹ For comparable 1949 data, see Table 11, Federal Reserve BULLETIN, October 1949, p. 1193.² Includes common and preferred stock of corporations open to investment by the general public. Excludes stock of privately held corporations, U. S. Government securities, and bonds of corporations and State, local, and foreign governments.³ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.⁴ Less than one-half of 1 per cent.

1950 SURVEY OF CONSUMER FINANCES

BUSINESS INTEREST

Only about 8 per cent of all spending units reported owning an interest in an unincorporated business or in a privately held corporation. The amount invested in business tended to be larger for the corporate than the unincorporated form of ownership (see Table 26). About a third of those having shares in privately owned corporations valued their interests at \$25,000 or more as compared with only about a tenth of the owners of interests in unincorporated businesses who valued their interests so highly. Nearly half of the unincorporated business interests were worth less than \$5,000 compared with about one-fourth of those in the corporate form.

TABLE 26

BUSINESS INTEREST OF SPENDING UNITS
ACCORDING TO TYPE OF INTEREST OWNED, EARLY 1950
[Percentage distribution of spending units within specified groups]

Value of business interest	Type of interest owned		
	Any type of business ¹	In-corporated business ²	Unincorporated business
Under \$1,000.....	18	11	19
\$1,000-\$4,999.....	25	15	27
\$5,000-\$24,999.....	30	33	30
\$25,000-\$99,999.....	12	25	9
\$100,000 and over.....	3	9	2
Not ascertained.....	12	7	13
All units.....	100	100	100
Number of cases.....	364	65	289

¹ Includes spending units owning either an incorporated, an unincorporated, or both types of business, as well as a few units for which the type was not ascertained.

² Privately held corporations only.

LIABILITIES

The 1950 survey's coverage of liabilities of consumers was relatively complete. In addition to specific questions concerning house, farm, and other real estate debt, debt incurred on 1949 purchases of durable goods and of other items, and debt owed banks, insurance companies, loan companies, and individuals, the survey asked if the spending unit had any other debts outstanding. Moreover, specific amounts were obtained for each debt category rather than bracket amounts obtained for the several types of assets. Balances due on charge accounts, however, were not included except where it was clear that the charge account was, in effect, a form of instalment credit.

DEBT OF VARIOUS GROUPS

About half of all spending units were free of debt in early 1950, while about one-fourth owed \$949 or less (see Table 27). The frequency of indebtedness was highest within the group having incomes of \$4,000-\$4,999 in which about two-thirds of the spending units reported having some debt. The decreasing frequency of indebtedness in successively lower income groups reflects, in part, the inability of many units to incur debt because their income does not provide a sufficient margin above current needs to service it. It is also due partly to a greater frequency in the lower income groups of older persons (55 years of age and over) who have previously paid off indebted-

ness on their homes or other major assets. Ability to make larger payments on debt accounts in considerable part for the greater frequency of debts of \$1,950 or more as income level increases. Many consumers in the highest income group may avoid incurring debt because of larger margins of income above current consumption needs and, whenever debt is incurred, they may be able to pay off the debt more quickly than consumers with lower incomes.

Among occupational groups—except retired persons—the proportion reporting no indebtedness did not vary greatly—ranging between roughly 40 and 50 per cent. In sharp contrast, over 85 per cent of the retired group reported having no outstanding debt (see Table 27). The heaviest concentration of debts of \$4,950 and over was found among the managerial and self-employed and the professional and semiprofessional groups, whose incomes were much larger than average.

There was a marked difference in the relative frequency of indebtedness when spending units were grouped according to the age of the head of the unit. More than 6 in 10 of the spending units headed by persons in the 25 to 44 age group reported debt (see Table 27). The frequency of indebtedness decreased among older consumers, with only about one-fifth of those 65 years of age or more indicating indebtedness. The relationship between debt and age reflects the heavy expenditures by the younger consumers in order to establish homes. In

1950 SURVEY OF CONSUMER FINANCES

TABLE 27
DISTRIBUTION OF SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY SIZE OF TOTAL DEBT, EARLY 1950

[Per cent]

Characteristics of spending unit	All cases		No debt	Some debt	Amount of total debt ¹					
	Num-ber	Per cent			\$1-\$949	\$950-\$1,949	\$1,950-\$4,949	\$4,950-\$9,949	\$9,950 and over	Not ascer-tained ²
All units.....	3,512	100	48	52	27	6	10	6	2	1
1949 money income before taxes:										
Under \$1,000.....	479	100	66	34	22	4	4	2	1	1
\$1,000-\$1,999.....	604	100	58	42	29	5	6	1	(³)	1
\$2,000-\$2,999.....	672	100	46	54	35	5	9	3	(³)	2
\$3,000-\$3,999.....	615	100	42	58	31	7	12	6	1	1
\$4,000-\$4,999.....	397	100	34	66	30	9	13	12	1	1
\$5,000-\$7,499.....	437	100	38	62	19	7	15	15	5	2
\$7,500 and over.....	269	100	52	48	5	2	15	12	12	2
Occupation of head of unit:										
Professional and semiprofessional.....	287	100	46	54	26	6	9	7	5	1
Managerial and self-employed.....	466	100	43	57	14	7	16	12	6	2
Clerical and sales.....	486	100	53	46	25	5	7	7	1	2
Skilled and semiskilled.....	895	100	39	61	34	8	11	6	1	1
Unskilled and service.....	344	100	48	52	39	4	5	3	—	1
Farm operator.....	410	100	44	55	20	9	16	5	4	2
Unemployed.....	187	100	49	51	40	3	3	3	1	1
Retired.....	176	100	86	14	6	1	4	1	2	—
Age of head of unit:										
18-24.....	342	100	52	48	40	3	3	1	—	1
25-34.....	779	100	37	63	35	7	10	8	2	1
35-44.....	777	100	36	64	31	7	13	10	2	1
45-54.....	670	100	48	52	25	6	12	5	2	2
55-64.....	495	100	60	40	20	6	9	3	1	1
65 and over.....	419	100	78	22	9	4	5	2	2	(³)
Family composition of unit:										
Children under 18, married head (all ages).....	1,459	100	32	68	33	7	14	10	3	
No children under 18:										
Unmarried heads, under 45 years of age ⁴	488	100	63	37	30	3	3	1	—	(³)
Married heads, under 45 years of age.....	283	100	36	64	36	9	8	6	2	3
Unmarried heads, 45 years of age and over ⁴	385	100	78	22	12	2	5	2	(³)	1
Married heads, 45 years of age and over.....	764	100	60	40	17	6	9	3	3	2

¹ Total reported debt of the spending unit.² Existence or amount not ascertained.³ Less than one-half of 1 per cent.⁴ Includes those divorced, separated, or widowed.

later years these debts have been repaid and the necessity for incurring other debt apparently falls off.

The relationship between composition of the spending unit and its indebtedness is also rather marked (see Table 27). Only about a third of spending units that include a husband, wife, and one or more children under 18 years of age were out of debt. Many of these spending units were in the process of buying homes, furniture, and the like. About 60 per cent of the spending units with no children under 18 years of age—and headed by either young unmarried persons or married persons over 45 years of age—had no debt. Over three-fourths of the spending units headed by older unmarried persons were free of debt.

Survey findings indicate a slight direct relationship between the amount of total assets, as computed, and total indebtedness (see Table 28). About 44 per cent of the spending units having total assets of less than \$1,000 had debts of less than \$950. Among wealthier consumers (total assets of \$25,000 and over) indebtedness occurred about as frequently as for consumers with total assets of less than \$1,000, while debts of \$9,950 and more were reported more frequently than in other asset groups. The relation between debt and assets is explained in part by the frequent resort to debt in order to acquire assets and in part to the greater ability to borrow when acceptable collateral is available.

The distribution of liquid assets within various debt groups furnishes some indication of the ability

1950 SURVEY OF CONSUMER FINANCES

TABLE 28

SIZE OF TOTAL DEBT WITHIN VARIOUS TOTAL ASSET GROUPS
EARLY 1950
[Per cent]

Amount of total debt ¹	Amount of total assets ²			
	\$0-\$999	\$1,000-\$4,999	\$5,000-\$24,999	\$25,000 and over
No debt.....	53	48	43	57
Some debt.....	47	52	57	43
Amount of total debt:				
\$1-\$949.....	44	37	14	2
\$950-\$1,949.....	2	8	9	4
\$1,950-\$2,949.....	(3)	4	8	4
\$2,950-\$3,949.....	—	1	6	5
\$3,950-\$4,949.....	—	(3)	5	4
\$4,950-\$7,449.....	—	(3)	8	6
\$7,450-\$9,949.....	—	(3)	4	4
\$9,950 and over.....	—	—	2	13
Not ascertained.....	1	(3)	1	1
All units.....	100	100	100	100
Number of cases.....	949	722	362	403

¹ Total reported obligations of the spending unit.² Represents total of liquid assets, automobiles, owner-occupied home or farm, other real estate, business interest, corporate stock, and livestock and crops on owner-occupied farms.³ Less than one-half of 1 per cent.

of debtors to meet their obligations without extensive liquidation of other assets. Only about half of the spending units with debts of under \$950 reported holdings of liquid assets, and only about 13 per cent had liquid assets worth \$1,000 or more (see Table 29). The relative frequency of liquid asset holdings was much greater in the largest debt group than in the smallest, and, in general, there was an increase in the frequency and size of liquid asset holdings as total debt increased.

TABLE 29

SIZE OF LIQUID ASSET HOLDINGS OF SPENDING UNITS WITHIN
DIFFERENT TOTAL DEBT GROUPS, EARLY 1950
[Per cent]

Amount of liquid assets held ¹	No debt	Amount of total debt ²				
		\$1-\$949	\$950-\$1,949	\$1,950-\$4,949	\$4,950-\$9,949	\$9,950 and over
No liquid assets.....	25	48	31	22	16	4
Some liquid assets.....	75	52	69	78	84	96
Amount of liquid assets:						
\$1-\$199.....	11	19	22	22	23	19
\$200-\$499.....	9	12	14	17	18	14
\$500-\$999.....	10	8	12	14	11	21
\$1,000-\$1,999.....	12	6	11	10	18	13
\$2,000-\$4,999.....	18	5	9	9	11	16
\$5,000-\$9,999.....	9	2	1	5	2	7
\$10,000-\$24,999.....	5	(3)	—	1	1	4
\$25,000 and over.....	1	—	—	(3)	—	2
All cases.....	100	100	100	100	100	100
Number of cases.....	1,700	869	210	358	231	90

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.² Total reported debt of the spending unit.³ Less than one-half of 1 per cent.

DEBT ON OWNER-OCCUPIED HOMES

Of the diverse types of debt reported in the survey, the only important type for which relatively precise information was obtained was mortgages and land contracts on owner-occupied nonfarm homes. In many interviews the information obtained was inadequate to permit classification according to type of debt although the total debt was reported reliably.

TABLE 30

AMOUNT OF DEBT ON HOME WITHIN DIFFERENT TOTAL DEBT GROUPS, EARLY 1950
[Percentage distribution of home-owning nonfarm primary spending units within specified groups]

Amount of debt on home ¹	All home-owning nonfarm units	Home-owning nonfarm spending units with total debt of: ²					
		\$1-\$949	\$950-\$2,949	\$2,950-\$4,949	\$4,950-\$7,449	\$7,450-\$9,949	\$9,950 and over
No debt.....	54	65	15	5	8	2	14
Some debt.....	46	35	85	95	92	98	86
Amount of debt:							
\$1-\$949.....	7	34	8	—	—	—	2
\$950-\$2,949.....	15	—	77	13	2	—	5
\$2,950-\$4,949.....	9	—	—	81	5	4	5
\$4,950-\$7,449.....	9	—	—	—	84	25	20
\$7,450-\$9,949.....	4	—	—	—	—	69	17
\$9,950 and over.....	1	—	—	—	—	—	37
Not ascertained.....	1	1	—	1	1	—	—
All units.....	100	100	100	100	100	100	100
Nonfarm home-owning spending units as a percentage of all spending units with debt.....	77	22	65	78	85	86	74

¹ Includes mortgage, land contract, and other debt on home.² Total debt includes home debt (as defined in footnote 1) and all other indebtedness of the spending unit.

1950 SURVEY OF CONSUMER FINANCES

Survey findings on aggregate debt on nonfarm homes, together with information from other sources, indicate that it is the dominant form of consumer indebtedness. Home owners comprise about 65 per cent of the spending units having total debt of \$950-\$2,949, and even larger proportions of the higher debt groups owned homes. In contrast, only about one-fifth of units having debts of less than \$950 owned homes (see Table 30).

Slightly more than half of home-owning nonfarm families reported no mortgage indebtedness in early 1950. There was no change between early 1949 and early 1950 in the relative frequency of mortgages on owner-occupied homes, but the frequency of mortgages of \$5,000-\$7,499 rose significantly (see Table 31).

Houses valued at less than \$7,500 in early 1950 were mortgage free more often than higher valued homes, perhaps because they were primarily older structures held by their present owners for extended periods of time. The influence of time of purchase on the frequency of mortgage indebtedness as well

as on the relation to house value is quite marked. Only about 20 per cent of houses purchased in 1948, 1949, or early 1950 were mortgage free, in contrast to about 80 per cent of those purchased in the 1920's and 70 per cent of those purchased in the 1930's (see Table 32).

TABLE 31
MORTGAGE INDEBTEDNESS ON OWNER-OCCUPIED HOMES
EARLY 1950 AND 1949
[Percentage distribution of home-owning nonfarm families]

Mortgage status and size of mortgage	1950	1949
Not mortgaged.....	54	55
Mortgage status not ascertained.....	1	(1)
Mortgaged.....	45	45
Size of mortgage:		
\$1-\$999.....	7	6
\$1,000-\$2,999.....	15	13
\$3,000-\$4,999.....	6	10
\$5,000-\$7,499.....	12	7
\$7,500-\$9,999.....	3	3
\$10,000 and over.....	1	2
Not ascertained.....	1	4
All families.....	100	100

¹ Less than one-half of 1 per cent.

TABLE 32
SPENDING UNITS HAVING SPECIFIED CHARACTERISTICS, BY RELATION OF MORTGAGE DEBT TO HOME VALUE
EARLY 1950
[Percentage distribution of home-owning nonfarm primary spending units within specified groups]

Characteristic of spending unit	All cases		Not mortgaged	Mortgaged	Mortgage as a percentage of value					
	Number	Per cent			Under 20	20-39	40-59	60-79	80 and over	Not ascertained
All home-owning nonfarm primary spending units ¹	1,417	100	54	46	8	11	13	7	4	-
Value of home:										
Under \$7,500.....	544	100	58	42	7	10	12	7	6	(?)
\$7,500-\$12,499.....	482	100	48	52	10	15	14	8	5	(?)
\$12,500 and over.....	310	100	50	50	13	14	17	4	1	1
Year of purchase of home:										
1949-50.....	108	100	21	79	3	12	18	24	21	1
1948.....	158	100	20	80	6	9	31	19	11	4
1946-47.....	248	100	33	67	6	16	24	13	6	2
1940-45.....	375	100	56	44	13	18	10	1	1	1
1930-39.....	203	100	72	28	14	7	3	(?)	1	3
1920-29.....	147	100	83	17	6	7	2	—	—	2
Before 1920.....	105	100	84	16	5	4	2	—	1	4
Place of residence of unit:										
Metropolitan area.....	452	100	39	61	9	18	19	8	4	3
Other city, 50,000 and over.....	206	100	51	49	10	9	13	9	6	2
Small city or rural area.....	759	100	62	38	8	9	10	5	4	2
Income of spending unit: ²										
Under \$1,000.....	126	100	84	16	5	5	2	1	1	2
\$1,000-\$1,999.....	154	100	76	24	6	4	7	2	4	1
\$2,000-\$2,999.....	233	100	54	46	8	13	12	7	5	1
\$3,000-\$3,999.....	271	100	47	53	6	14	18	7	5	3
\$4,000-\$4,999.....	204	100	40	60	14	11	14	12	6	3
\$5,000-\$7,499.....	246	100	42	58	8	15	19	9	4	3
\$7,500 and over.....	166	100	53	47	10	15	11	5	2	4

¹ The primary spending unit includes the person considered as head of the family in those homes containing several related spending units. It is assumed that this unit is responsible for the mortgage.

² Less than one-half of 1 per cent.

³ 1949 money income before taxes of primary spending units. Family income groups, used in Table 42, include the incomes of related secondary spending units.

1950 SURVEY OF CONSUMER FINANCES

The relative size of mortgage tended also to be larger for recently purchased houses. About one-fifth of the homes purchased in 1949-50 had outstanding mortgages that were 80 per cent or more of the house value, while the frequency of such large mortgages in relation to value was negligible among the houses purchased before 1946. Outstanding mortgages that were small in relation to house value were relatively the most frequent for homes purchased in prewar years. This reflects not only the longer period of repayment on these mortgages but also the rise in house values.

The frequency of mortgage-free homes among home-owning, nonfarm primary spending units was highest—about 84 per cent—in the lowest income group (see Table 32). The frequency of mortgage-free homes fell steadily as income increased except for the top income groups (\$5,000 and over). Greater ability to carry a mortgage as income level rose was apparent in the increased amount of the mortgage. Greater frequency of mortgage-free homes in the lower income groups of home owners may have resulted in part from the concentration in these groups of retired and older persons who have had a longer period of time in which to pay off any mortgage debt.

DISTRIBUTION OF TOTAL DEBT

Aggregate consumer debt, both long- and short-term, is estimated to have been approximately 65 billion dollars early in 1950. The sampling error in aggregates estimated from survey data is large, so the estimate must be used cautiously. The survey provided reasonably complete coverage except for charge account credit. In calculating total debt of a spending unit, the reporting of all component

items in dollar amounts, rather than in brackets, avoided the problem of arbitrary assignments within brackets, which was frequently present in computing total assets and net worth. The debt data also had the advantage of relatively complete coverage of all debt items in contrast to the partial coverage of the asset data.

The proportion of total debt owed by each tenth of the spending units surveyed, when ranked according to their 1949 incomes, varied from about 5 per cent in the lower tenths to about 25 per cent for the highest tenth (see Table 33). This pattern

TABLE 33

DISTRIBUTION OF TOTAL DEBT AMONG SPENDING UNITS WHEN RANKED BY SIZE OF INCOME, EARLY 1950

Spending units ranked according to annual money income before taxes	Percentage of total debt owed: ¹	
	By each tenth	Cumulative
Highest tenth.....	25	25
Second.....	16	41
Third.....	13	54
Fourth.....	9	63
Fifth.....	10	72
Sixth.....	10	83
Seventh.....	5	88
Eighth.....	4	92
Ninth.....	3	95
Lowest tenth.....	5	100

¹ The sum of all obligations of the spending unit.

tended to be similar to that found in the distribution of total saving, total income, and total liquid assets, but the disproportion of the upper and lower tenths was not so large.¹³

* * * * *

Additional tables not mentioned in the text are presented on the following pages, grouped according to subject.

¹³ See "Distribution of Consumer Saving in 1949," Federal Reserve BULLETIN, November 1950, Table 2, p. 1442, and Table 8, of this article.

1950 SURVEY OF CONSUMER FINANCES

TABLE 34
TYPE AND SIZE OF LIQUID ASSET HOLDINGS WITHIN DIFFERENT OCCUPATIONAL GROUPS, EARLY 1950 AND 1949¹
[Per cent]

Type and amount of liquid assets held	Occupation of head of spending unit													
	Professional and semiprofessional		Managerial and self-employed		Clerical and sales		Skilled and semi-skilled		Unskilled and service		Farm operators		Retired	
	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949
Total liquid assets: ²														
None.....	8	9	10	12	16	16	34	30	54	51	25	28	37	30
\$1-\$499.....	25	27	28	25	36	38	31	32	20	27	29	23	11	22
\$500-\$1,999.....	30	26	23	21	24	29	20	23	15	14	21	24	12	15
\$2,000-\$4,999.....	19	19	20	22	17	10	11	10	8	5	14	13	16	19
\$5,000 and over.....	18	19	19	20	7	7	4	5	3	3	11	12	24	14
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100
U. S. savings bonds (Series A-F): ³														
None.....	41	34	49	46	51	47	63	55	78	72	59	61	62	59
\$1-\$499.....	27	30	25	28	31	33	25	28	13	19	24	22	15	20
\$500-\$1,999.....	19	19	13	14	12	15	9	13	7	8	9	10	9	12
\$2,000 and over.....	13	17	13	12	6	5	3	4	2	1	8	7	14	9
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Savings accounts (in banks only): ⁴														
None.....	43	42	54	54	42	45	54	56	67	71	82	83	58	59
\$1-\$499.....	18	23	14	14	29	30	22	20	13	17	7	4	6	14
\$500-\$1,999.....	21	21	16	15	17	18	15	15	13	7	3	6	12	12
\$2,000 and over.....	18	14	16	17	12	7	9	9	7	5	8	7	24	15
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Checking accounts:														
None.....	29	32	27	28	52	58	74	74	84	87	32	37	60	62
\$1-\$499.....	41	42	37	34	34	31	20	20	11	10	32	29	14	16
\$500-\$1,999.....	19	19	20	23	9	9	4	5	4	3	23	22	15	13
\$2,000 and over.....	11	7	16	15	5	2	2	1	1	(9)	13	12	11	9
All units.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	287	293	466	470	486	495	895	886	344	427	410	430	180	176
Median asset holdings.....	\$1,240	\$1,150	\$1,010	\$1,250	\$400	\$400	\$150	\$200	0	0	\$400	\$450	\$590	(9)

¹ Liquid asset data for 1950 are based on interviews in January-March 1950; for 1949 on interviews in January-March 1949.

² Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

³ Amounts shown at 81 per cent of maturity value in 1950 and 80 per cent in 1949, except for recent purchases, which were valued at purchase price.

⁴ Excludes postal savings and shares in savings and loan associations and credit unions.

⁵ Less than one-half of 1 per cent.

⁶ Data not available.

⁷ Revised.

TABLE 35

MEDIAN LIQUID ASSET HOLDINGS OF SPENDING UNITS WITHIN INCOME GROUPS, EARLY 1950, 1949, 1948, AND 1947¹

Annual money income before taxes	Percentage distribution of spending units				Median liquid asset holding within income group			
	1949	1948	1947	1946	Early 1950	Early 1949	Early 1948	Early 1947
Under \$1,000...	14	12	14	17	0	0	0	0
\$1,000-\$1,999...	19	18	22	23	\$10	\$80	\$80	\$40
\$2,000-\$2,999...	21	23	23	25	160	150	240	480
\$3,000-\$3,999...	19	20	17	17	350	270	490	900
\$4,000-\$4,999...	11	12	10	8	500	500	840	1,400
\$5,000-\$7,499...	11	10	9	6	1,130	1,350	1,760	2,750
\$7,500 and over...	5	5	5	4	4,270	4,500	6,290	7,250
All units.....	100	100	100	100	\$250	\$300	\$350	\$470

¹ The median liquid asset holding is the amount held by the middlemost unit in a ranking of the spending units within each income group in order of their holdings of liquid assets. The income groups relate to income of the year previous to the interview, and the amount of liquid assets to the holdings at the time of the interview.

TABLE 36

SIZE OF LIQUID ASSET HOLDINGS OF SPENDING UNITS WITHIN DIFFERENT TOTAL ASSET GROUPS, EARLY 1950
[Per cent]

Amount of liquid assets held	Total assets ¹			
	Under \$1,000	\$1,000-\$4,999	\$5,000-\$24,999	\$25,000 and over
None.....	61	26	15	1
\$1-\$199.....	21	14	15	4
\$200-\$499.....	11	13	13	7
\$500-\$999.....	7	12	10	8
\$1,000-\$1,999.....		19	14	12
\$2,000-\$4,999.....		16	20	22
\$5,000-\$9,999.....			11	18
\$10,000-\$24,999.....			2	21
\$25,000 and over.....				7
All units.....	100	100	100	100
Number of cases.....	949	722	1,362	403

¹ Includes—in addition to liquid assets—automobiles, owner-occupied home or farm (including farm machinery), other real estate, business interest, corporate stock, and livestock and crops on farms.

1950 SURVEY OF CONSUMER FINANCES

TABLE 37

PROPORTION OF LIQUID ASSETS HELD BY SPENDING UNITS AND FAMILY UNITS AT VARIOUS INCOME LEVELS, EARLY 1950 ¹

1949 money income before taxes	[Per cent]			
	Spending units		Family units	
	Per- centage distrib- ution	Propor- tion of liquid assets held	Per- centage distrib- ution	Propor- tion of liquid assets held
Under \$1,000.....	14	6	13	5
\$1,000-\$1,999.....	19	9	15	7
\$2,000-\$2,999.....	21	15	18	11
\$3,000-\$3,999.....	19	15	19	14
\$4,000-\$4,999.....	11	11	12	12
\$5,000-\$7,499.....	11	18	15	18
\$7,500 and over.....	5	26	8	33
All units.....	100	100	100	100

¹ The 1949 income data and early 1950 liquid assets data are based on interviews in January-March 1950.

For comparable spending unit and family unit data for early 1949 and early 1948, see Federal Reserve BULLETIN for August 1949, Table 14, p. 910, and July 1948, Table 18, p. 780, respectively. For comparable spending unit and family unit data for early 1947 and early 1946, see BULLETIN for July 1947, Table 14, p. 801, and Table 18, p. 802, respectively.

TABLE 38

RELATION OF FARM VALUE TO AMOUNT OF NET WORTH
EARLY 1950

[Percentage distribution of farm operating, primary spending units within net worth groups]

Farm value	Amount of net worth ¹				
	Nega- tive	\$1- \$999	\$1,000- \$4,999	\$5,000- \$24,999	\$25,000 and over
Nonowner operator.....	100	89	38	32	1
Owner operator.....	.....	11	62	68	99
Value of farm owned:					
\$50-\$2,549.....	—	11	17	3	1
\$2,550-\$5,049.....	—	—	37	7	—
\$5,050-\$10,049.....	—	—	4	32	2
\$10,050-\$25,049.....	—	—	—	26	41
\$25,050 and over.....	—	—	—	—	55
All units.....	100	100	100	100	100

¹ Difference between total selected reported assets and total reported debt.

NOTE.—The primary spending unit includes the person considered as head of the family in those homes containing several related spending units.

TABLE 39

LIQUID ASSET HOLDINGS OF OWNERS AND NONOWNERS OF CARS
EARLY 1950

[Percentage distribution of spending units within specified groups]

Amount of liquid assets held ¹	All non- owners	All owners	Value of car owned		
			Under \$550	\$550- \$1,049	\$1,050 and over
None.....	42	20	32	25	9
\$1-\$199.....	16	15	20	15	11
\$200-\$499.....	10	14	13	16	13
\$500-\$999.....	8	11	10	10	13
\$1,000-\$4,999.....	19	27	19	25	34
\$5,000 and over.....	5	13	6	9	20
All units.....	100	100	100	100	100
Number of cases.....	1,549	1,944	596	394	954

¹ Includes all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions. Excludes currency.

TABLE 40

PAYMENT ON MORTGAGE PRINCIPAL BY HOME-OWNING
NONFARM FAMILIES, 1949

Payment on principal	Percentage of families ¹
Nothing paid.....	46
Paid:	
\$1-\$99.....	5
\$100-\$299.....	22
\$300-\$499.....	15
\$500-\$999.....	7
\$1,000-\$1,499.....	1
\$1,500 and over.....	1
Amount not ascertained.....	1
Amount (if any) not ascertained.....	2
All families.....	100

¹ Based on the 46 per cent of all home-owning nonfarm families whose properties were mortgaged or encumbered by land contracts in early 1950.

1950 SURVEY OF CONSUMER FINANCES

TABLE 41

MORTGAGE INDEBTEDNESS ON OWNER-OCCUPIED HOMES, EARLY 1950

[Percentage distribution of home-owning nonfarm primary spending units within specified income groups]

Mortgage status and size of mortgage	All home-owning nonfarm primary spending units ¹	1949 money income before taxes						
		Under \$1,000	\$1,000-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$7,499	\$7,500 and over
Not mortgaged.....	54	84	76	54	47	40	42	54
Mortgaged.....	46	16	24	46	53	50	58	46
Size of mortgage:								
\$1-\$999.....	7	3	5	13	7	7	4	2
\$1,000-\$2,999.....	15	8	12	18	17	16	16	9
\$3,000-\$4,999.....	6	2	3	4	10	10	6	4
\$5,000-\$7,499.....	12	1	2	8	14	20	20	12
\$7,500-\$9,999.....	4	1	1	2	3	5	7	9
\$10,000 and over.....	1	—	—	1	1	1	3	9
Not ascertained.....	1	1	1	—	1	1	2	1
All units.....	100	100	100	100	100	100	100	100
Number of cases.....	1,417	126	154	233	271	204	246	166

¹ The primary spending unit includes the person considered as head of the family in those homes containing several related spending units. It is assumed that this unit is responsible for the mortgage.

² Less than one-half of 1 per cent.

TABLE 42

MORTGAGE STATUS AND PAYMENTS OF HOME-OWNING NONFARM FAMILIES, 1949 AND 1948

[Percentage distribution of families within disposable income groups]

Mortgage status and amount of payment	All home-owning nonfarm families		Families with income after taxes of:					
			Under \$2,000		\$2,000-\$4,999		\$5,000 and over	
	1949	1948	1949	1948	1949	1948	1949	1948
Not mortgaged.....	54	55	80	76	47	48	45	49
Mortgaged.....	46	45	20	24	53	52	55	51
Payment on mortgage: ¹								
Nothing paid.....	2	3	2	2	2	4	2	3
\$1-\$99.....	2	2	1	2	2	2	1	2
\$100-\$299.....	8	9	7	10	9	10	7	5
\$300-\$499.....	14	13	6	5	17	17	13	11
\$500-\$999.....	16	13	3	1	19	14	22	21
\$1,000-\$1,499.....	2	2	—	1	1	1	5	4
\$1,500 and over.....	2	2	—	1	2	1	5	4
Amount of payment (if any) not ascertained.....	2	1	1	2	1	3	3	1
All families.....	100	100	100	100	100	100	100	100
Number of cases.....	1,417	1,413	248	258	731	753	427	402

¹ Includes interest, principal, and also, in roughly two-fifths of the cases, taxes. Percentage making payments on mortgages in 1949 exceeds per cent mortgaged in early 1950 because of extension of mortgage for some units.

² The total number of cases includes families for whom income after taxes was not ascertained, which are not allocated to income groups.

1950 SURVEY OF CONSUMER FINANCES

TABLE 43

MONTHLY RENT PAID BY NONFARM FAMILIES WITHIN DISPOSABLE INCOME GROUPS, EARLY 1950 AND 1949

[Percentage distribution of families within disposable income groups]

Monthly rent	All rent-paying non-farm families		Families with income after taxes of: ¹									
	1950	1949	Under \$2,000		\$2,000-\$2,999		\$3,000-\$3,999		\$4,000-\$4,999		\$5,000 and over	
			1949	1948	1949	1948	1949	1948	1949	1948	1949	1948
Under \$20.....	21	19	41	36	20	20	9	12	6	6	9	2
\$20-\$29.....	20	21	26	30	28	27	18	17	10	11	5	6
\$30-\$39.....	18	23	16	17	18	24	22	28	21	23	12	22
\$40-\$49.....	17	15	9	9	19	13	26	17	22	26	15	17
\$50-\$74.....	14	16	5	5	10	11	16	22	26	28	33	26
\$75-\$99.....	6	3	2	1	2	3	7	2	10	2	15	12
\$100 and over.....	2	2	1	1	1	(²)	1	(²)	3	3	9	12
Not ascertained.....	2	1	1	1	2	2	1	2	2	1	2	3
All families.....	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	*1,116	1,115	(⁴)	280	(⁴)	268	(⁴)	260	(⁴)	138	(⁴)	169

¹ Monthly rent paid by nonfarm families in early 1950 and in early 1949 relate to family income in 1949 and 1948, respectively.² Less than one-half of 1 per cent.³ The total number of cases includes families for whom disposable income was not ascertained, which are not allocated to income groups. ⁴ Data not available.

APPENDIX

METHOD OF ESTIMATING NET WORTH

The survey estimate of net worth of each spending unit is the aggregate of reported or assigned values of assets covered in the survey less the total reported debt. The assets included in the survey are: liquid assets, including United States Government bonds, savings accounts, checking accounts, postal savings, shares in savings and loan associations or credit unions; automobiles; owner-occupied homes; owner-occupied farms, including buildings and machinery; real estate other than home or farm on which owner is living, including lots, one- or two-family houses, apartment houses, summer or week-end homes, commercial or rental property, farms owned by nonfarmers and additional farms or land owned by farmers, and other types; common or preferred stock in corporations open to investment by the general public; interest in an unincorporated business or privately held corporation; livestock and crops. The debts covered are: mortgages, land contracts, or other debt on homes, farms, or other real estate; instalment credit; single payment loans; insurance policy loans; all other debt to banks, loan companies, insurance companies, and individuals except charge-account credit.

This survey obtained more information than the survey conducted in early 1949 in that it obtained valuation data for business interests, other real estate, and livestock and crops. Information ob-

tained on debts was also more complete except for the omission of charge-account credit.

Values of all asset items, except pre-1950 model automobiles, and of all liabilities were based on valuation information reported by respondents. For certain types of assets, however, the interview provided value information only within rather broad brackets. These assets were real estate other than owner-occupied homes and farms, corporate stock, and business interests. In order to compute total assets and net worth, specific values had to be assigned to these assets.

In assigning values to holdings of other real estate in bracket values of less than \$25,000, the median value within each bracket was approximated by using cumulative frequencies of reported bracket values plotted on a semilogarithmic scale. This technique indicated the distribution of units within each broad bracket and made possible an estimate of the median value within each bracket.

For other real estate valued at \$25,000 or more and for all stock holdings and business interests, the questionnaires were re-examined to assign values on the basis of all available information; in some cases respondents volunteered information in greater detail than the coding of the survey required. For cases which could not be resolved by examination of the questionnaires, medians within brackets were

1950 SURVEY OF CONSUMER FINANCES

obtained by graphic approximation, using cumulative frequencies of reported bracket values plotted on a semilogarithmic scale.

The value of 1950 model automobiles was considered equal to the purchase price reported in the interview. All other automobiles were assigned values based on the respondents' reports of make and model year.

Some important items of value were omitted from the asset compilation. Insurance, even though it is an asset owned by almost four-fifths of all spending units, was omitted because relatively few respondents know the cash reserve value of their policies (and therefore questions concerning them were not included in the survey) and because assignment of values would have been an extremely complex process due to the multitude of types of insurance and the wide range of ages of policyholders. Estimates of the value of furniture, clothing, jewelry, etc., would be extremely unreliable in the absence of organized markets, and these items were therefore omitted. Holdings of currency were omitted since experience from earlier surveys indicated that those respondents having large currency holdings are reluctant to report their holdings. Trust funds, annuities, and holdings of bonds of corporations and of State, local, and foreign governments were also omitted, but the resulting bias is small because such assets are held by a very small segment of the population.

With the exception of debt on homes, the survey did not probe as deeply to determine specific forms of debt as it did with specific assets. Data concerning debt of the spending unit were developed from questions relating to debt connected with selected types of assets and from questions on other types of debt. Mortgages, land contracts, and other debts on homes were obtained in the housing section. Similar forms of debt were also obtained in the section concerned with other real estate owned by the spending unit. For automobiles and large household items, furniture, refrigerators, television and radio sets, and household appliances, which were purchased in 1949, the original terms of purchase and any repayments during 1949 were obtained.

In the section on debt the following additional questions were asked: Did you owe any money at the beginning of the year on instalment because of purchases made in 1949 that we haven't mentioned, for example on sporting goods, clothing, or jewelry? Did you owe any money on anything

you bought *before* 1949? Did you owe any money on loans from a bank, a loan company, or private individual? Did you owe any money on a loan or an insurance policy? About how much did you owe on the items referred to above? Did you borrow any of this money (finance any of these purchases) during 1949? Did you owe any money at the end of 1949 that we haven't mentioned? Did you borrow any of this during 1949? Charge accounts were disregarded unless it was clear that the charge account was, in effect, a form of instalment credit.

Examination of the questionnaires indicated that attempts to classify consumer debts other than home mortgages as to specific type—bank loans, instalment sale credit, and the like—would be unsatisfactory. Certain debt arrangements defied classification. The less intensive investigation of each liability item than was the case for assets may have resulted in less complete reporting than would have been obtained by more detailed questions.

The survey's estimates of net worth understate the net worth of consumers, because it seems probable that for most spending units the omitted assets exceed in value the omitted debts.

Changes in net worth, as defined, are fairly consistent with the alternative definition of saving used in this year's survey.¹ Realized changes in the value of the net worth items plus insurance premiums compose the alternative definition of saving. Because of the omission of insurance and certain funds from the assets entering the net worth calculation and the valuation of assets at market rather than cost, however, the survey alternative definition of saving differs conceptually from changes in a spending unit's net worth as defined in the survey.

The easily realized wealth of a spending unit may determine in part its pattern of consumption. A high net worth of the type defined in the survey indicates the possession of acceptable collateral for securing loans to finance new purchases or the possibility of exchanging more or less liquid assets for assets not included in net worth as computed in the survey. Analysis of consumers' behavior in terms of their wealth position is not new. However, most previous inductive work along these lines has been based on aggregate data. The data obtained from these surveys should aid in exploring the proposition that distribution of wealth, as well as its aggregate amount, affects consumption.

¹ "The Distribution of Consumer Saving in 1949," Federal Reserve BULLETIN, November, 1950 Appendix II, pp. 1453 ff.